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AN EVALUATION OF DEMOCRACY IN NICARAGUA

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n Evaluation of Democracy in Nicar...

HEARING
BEFORE THE
SUBCOMMITTEE ON
THE WESTERN HEMISPHERE
OF THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
FIRST SESSION

NOVEMBER 8, 1995

Printed for the use of the Committee on International Relations



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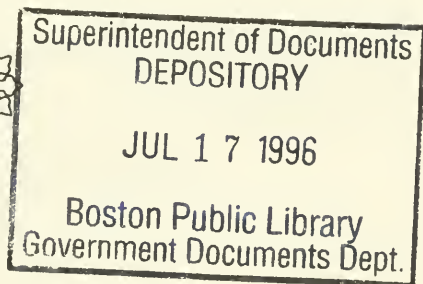
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AN EVALUATION OF DEMOCRACY IN NICARAGUA

WEDNESDAY, NOVEMBER 8, 1995

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE WESTERN HEMISPHERE,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The subcommittee met, pursuant to call, at 10 a.m. in room 2200, Rayburn House Office Building, Hon. Ileana Ros-Lehtinen presiding.

Ms. ROS-LEHTINEN [presiding]. The subcommittee will now come to order.

We are very pleased to have with us many excellent witnesses who will talk about the progress or lack thereof in Nicaragua in terms of democracy, human rights, property rights, and other important issues. We are so pleased to have our good friend, Amo Houghton, with us, who has extensive experience in these issues and he will give us his perspective.

Congressman Burton, the chairman of the subcommittee, is delayed at another meeting, but he will be here in a few minutes and he will then be conducting the rest of the hearing.

We are pleased to have Mr. Ballenger with us, who is known here as Mr. Central America, because he is so involved especially in getting a lot of the supplies that churches and schools and hospitals need. He and his wife have been very involved in those issues for many years and we value his input.

Mr. Frazer, who is a dedicated member of our subcommittee, represents the Virgin Islands; it is always a pleasure to have him join us.

In my congressional district, the issue of Nicaragua, as you can imagine, is of extreme importance. We not only have growing members of our community from that beautiful country but they are very anxious to make sure that those promises that were made by President Chamorro, upon taking office, will one day be realized. Some of them have gone on their way to being implemented but many of those reforms have not fully been implemented and many of those are still in the debating stages, unfortunately.

The issue of U.S. residency for Nicaraguans is a big concern for my district. Along with my colleagues, Congressman Bill Richard, Carrie Meek, and Lincoln Diaz-Balart, we are cosponsors of the bill to grant U.S. residency to Nicaraguans living here in exile even though the Nicaraguan Government does not approve of such a term "in exile" because they believe that there is a full democracy

in that wonderful country. We wish that that were so. We have found that not to be quite the case.

And so we have a lot of hardworking, honest, dedicated tax paying residents in our community, who would like the opportunity to become full-fledged citizens of this beautiful democracy in the United States and we hope, working with the other subcommittees, to help pass this bill and fully grant political assylum and U.S. residency and then U.S. citizenship to these hardworking Nicaraguan exiles.

The issue of property is another important issue in my congressional district. We have many individuals who lost their property, their homes, their businesses, and although there has been a process finally set up to get those funds back to those individuals who lost their valuable property, many of those individuals have been in a frustrating, never-ending bureaucracy and have not had their properties returned to them, and it is incredible that when they do get their money returned, the moneys seem to be coming from the Nicaraguan citizens and not the folks who illegally confiscated their property. So we hope to explore these and many other items in this important hearing.

I am very pleased to see on the witness list Mr. Peter Sengelmann, the Director of the Committee to Recover Confiscated American Properties in Nicaragua, a constituent in my district, and also Mr. Roberto Arguello, who is involved with the Nicaraguan-American Bankers and Businessmen Association, another constituent and, most importantly, his greatest attribute is that his son and my daughter are in the same school. So we look forward to having Mr. Arguello's input.

We thank you, all the witnesses, for being here. Before I recognize Amo, I would like to recognize Mr. Ballenger for his comments.

Mr. BALLENGER. Thank you, Madam Chairman.

Let me just say I am not going to make a long speech or anything but this problem of property in Nicaragua being returned, I can remember, it seems to me, 6 years ago or 5 years ago that we were promised by the government down there that something serious was going to be done and they were going to privatize the telephone company and take the money to back the bonds that they were going to give to people for their property. I was just asking earlier had they privatized the telephone company yet? Five years later, nothing has happened, and I would say that it appears to me that the opportunity to be able to make the bonds that they are giving to these people valuable enough to be willing to accept them still is a situation that would be taken care of.

I would like to apologize to the members of some of the panels. I will come back as soon as I can. Amo, I will listen to you.

Mr. HOUGHTON. You don't have to.

Mr. BALLENGER. I have got four meetings at this time. Let me shut up and be quiet. Thank you.

Ms. ROS-LEHTINEN. Thank you so much.

Mr. Frazer.

Mr. FRAZER. I have no opening statement.

Ms. ROS-LEHTINEN. Thank you.

Ms. ROS-LEHTINEN. Mr. Houghton, it is a pleasure to have you with us.

STATEMENT OF THE HON. AMORY HOUGHTON, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. HOUGHTON. Thank you very much, Madam Chairman. It is a great honor to be here and, Mr. Ballenger and Mr. Frazer, thank you for letting me appear before your panel.

Just a mechanical thing, if I could, could I revise and extend my remarks?

Ms. ROS-LEHTINEN. Of course.

Mr. HOUGHTON. Any other testimony can be put in the record?

Ms. ROS-LEHTINEN. We will make you sound much more intelligent than you might appear.

Mr. HOUGHTON. That will be easy.

Well, let me go into my testimony, if I can, for just a minute.

I speak here because I have such a tremendous respect and wonderful, hopefully wonderful relationship with the government and many of the people down in Nicaragua. I first went to Nicaragua in 1988, with all the university presidents, as Mr. Ballenger knows, in my district, and we went down because so many of the people going out and getting education were going toward the Soviet Union and the Communist bloc. In our little district, this was all privately funded. We had about eight or nine people come up, had their education and many of them have gone back and this was all sponsored, really, by Mrs. Chamorro. She was then editor and publisher of the La Presna paper and she and her family have been extraordinarily helpful in that record.

I then went to Nicaragua, as many of us did, in terms of the elections. I went with the United Nations. I went with Elliott Richardson. He was the one that sponsored this. And then several other times, on either business or politics or because of my family, my wife and I have taken two grandchildren down to Nicaragua. So I do think we have a sort of an allegiance to that country.

Let me just talk about four issues which are clearly on the front of everybody's mind here. First is the property claims; second, the improvement in human rights; third, the economy; and, fourth, the electoral system.

As far as property claims, this has been something which has stuck in our craw for a long time, and I know we have a different sense of what the timing should be. And it is a difficult issue, and I don't claim to be an expert on this thing but my sense, and it is only my personal sense, is the government of Nicaragua is committed to resolving all, and let me repeat all, the outstanding property confiscation claims by the close of the President's term, which means the end of next year.

The government and the United States Embassy in Nicaragua have established a data base of approximately 1,400 U.S. citizen confiscated property claims and these are inherited, of course, by the Chamorro Government. At the end of last year, the total number of claims had been reduced to about 900. And the government then has undertaken to settle the remainder of those cases, about 300 every 6 months for the succeeding 18 months. So as a result,

by July 1st of this year, more than half of these cases, including the original data base, have been resolved.

For some people, this is not fast enough. There may be particular issues as far as various places, the telephone company or whatever it is, that have not been handled fast enough. But I feel that really the numbers speak for themselves. And also, I have great faith in President Chamorro. She has made a commitment. She is trustworthy. She has done a wonderful job so far and if anyone can solve these property claims, I think Violeta Chamorro can.

Moving to the area of human rights, the government has made several moves to improving their record here. As we all know, the last year the National Assembly established a new military code which substantially strengthens civilian control over the military. And then we know that Humberto Ortega, brother of the former Sandinista leader, Daniel Ortega, has been replaced as head of the Nicaraguan army. Also, the new code provides prosecution for members of the military through civilian courts, and that is good.

Just as an aside, recently the Organization of American States reported that Nicaragua is not identified in any way as a human rights violator, which is a far cry from what it had been over the past few years. In fact, in February of this year, Nicaragua has joined our country, the United States, at the United Nations to condemn human rights abuses in Cuba and China and other places.

Next, the economy, Madam Chairman, a very quick evaluation of Nicaragua's performance during the past 5 years as a democracy. The economic system inherited by the Chamorro administration was sort of in chaos, and there was a centrally controlled economy, in which the state was responsible for, I think it was either 40 or 50 percent of the entire GDP. It might even have been higher. There was a small and very overregulated private sector, and as we know, the market institutions were weak and GDP ultimately fell below the 1970 level. That is over a 20-year period falling below that initial year in 1970, and hyperinflation was unimaginable. I mean, when you take a look at 40,000 percent, it is almost hard to put your arms around it and understand it. Then, of course, the foreign debt soared and amounted to more than six times the value of the entire gross domestic product and that clearly exceeded the country's ability to repay.

So in only 5 years, the Administration, I think, has been able to reverse most of the negative economic trends far faster than I thought they would ever be able to do. The government embarked on a conservative course and reform and trade liberalization and also some things like that. Inflation now is in the single digits. GDP has increased, and this is important, 3.4 percent last year, expected to grow a little higher, about 4 percent, in 1995 figures. And this recovery is related to a 30 percent increase in the value of exports, which of course, as we know, produces the hard currency, which they need so desperately. In addition, a number of social programs, such as improving the quality and coverage of health care and primary education, has been instituted.

Nicaragua has also conducted an extraordinarily far-reaching privatization program, and the state control of private industry, which was between 40 and 50 percent, is now less than 5 percent and it is expected to virtually disappear before the end of the year.

Finally, let me just say a word about elections and democracies. There is a sort of a "triple transition" occurring now in Nicaragua. It is like the triple witching hour on Wall Street. The first is going from war to peace; the second is from a centralized to liberalized economy; and the third from a military dictatorship to a democracy. The Chamorro administration is keeping the country together during these transitions, which is not insignificant.

Nicaragua is a country to be proud of. It is a success story. It is in our hemisphere, and from a society that was bitterly divided only a few months ago, it is something which is being pulled together with a new sense of freedom and also this concept of democratization. Not many people, I think, realize that Nicaragua's constitution calls for four branches of government: the executive, the legislative, the judicial, and the electoral. Nicaragua boasts today an active National Assembly representing probably too many political parties but that is just the way this thing has worked out. But the Assembly continues to pass pieces of legislation that are key to facilitating the changes that have occurred in Nicaragua.

In October of next year, Nicaraguans will return to the polls to elect a new president. The people of this small country realize that free elections are the key to their future, and it is a really impressive thing to see the impact and the percentage of people who vote and their dedication to this new-found democracy, which really had never existed, ever, in the history of that country.

So Madam Chairman, I am done, and I just want to thank you for letting me come before this subcommittee. There are problems in Nicaragua. There will continue to be. It is a road; it is not a destination. But I am proud of the country. I am proud of the great leadership and I have high hopes for the future for this extraordinary place in our hemisphere.

Thank you very much.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Houghton.

[The prepared statement of Mr. Houghton appears in the appendix.]

Ms. ROS-LEHTINEN. Certainly, the issues that you have highlighted, the property issues, the human rights issues, the economy problems and, of course, the ongoing process for furthering the democratic process and then leading up to the upcoming elections are certainly very, very important issues. We thank you for sharing your insight with us.

You certainly have a far more optimistic and a rosier picture not just of what is going to happen soon in Nicaragua but the progress that has taken place.

What do you say to those of us who believe that that progress really has not been as quick as it should have been, the changes and the reforms have not been implemented in regard to one of the issues that you point out, the property issues? We have, at least in my congressional district, so many constituents who have been frustrated with the lack of progress and the bureaucratic impediments and only by continuous U.S. pressure and pressure from the constituents have many of these cases actually come to their final stages, and even then it has been not to their complete satisfaction. So I sense a strong sense of frustration on the part of my constitu-

ents on this issue, yet you feel there has been a lot of movement. What should we say to those constituents who feel that frustration?

Mr. HOUGHTON. Well, Madam Chairman, let me just say this: That I am frustrated also, primarily because I come from the world of business in which decisions are made and they are made decisively and you can get your arms around them. Democracy is a messy process. It may not go according to our time schedule but if you take a look at the statistics, in terms of privatization, in terms of reduction of inflation, in terms of increase in the gross domestic product, an increasing sort of the sense of belief once again in that country, I really am very impressed.

There are always going to be things, you and I are exposed to these many times by some of our constituents, there are always going to be things that people don't like. But I have always tended to sort of bet on people rather than structures, and the people down there are behind Violeta Chamorro. She has promised to have solved this before she gets out of office. The record is good. She has done what she has said she would do. It has been a little slow in coming but it is happening. And I must believe it will continue to happen.

Ms. ROS-LEHTINEN. But you think U.S. pressure would be an important point in that or do you think in and of itself those properties—

Mr. HOUGHTON. Well, I think U.S. pressure was important because I think whether it was in terms of property rights or in terms of getting General Humberto out of the military—I mean, I do think that the talks and the pressure and a variety of different things that happened from this country helped.

But I have a sense now that there is sort of a self-motivating process going on there. And, sure, they recognize how important the United States is and certainly they recognize that they should not be diametrically opposed to some of the basic concepts of this country, but I think there is something which is going on inside that I don't think has to be devoting too much from this country.

Ms. ROS-LEHTINEN. In the Sandinista control in Nicaragua, you see that every day. There is less of that and more movement toward democratic reforms, whether it is Sandinista controlling in the police force or the security forces or the courts or in the assembly, that there is less ruling from below, as the Ortega brothers had promised, and more movement toward true implementation of reforms?

Mr. HOUGHTON. Well, Madam Chairman, I am not the best person to answer that question, because I am really not as knowledgeable as I should be. But from the impressions that I get from the people who write to me, from the personal talks, that reversion to a totalitarian system, whether it is through the far right or the far left, I don't think is a real threat down there now. But I am not one of the great political prognosticators of all times.

Ms. ROS-LEHTINEN. Thank you, Mr. Houghton.

Mr. Frazer.

Mr. FRAZER. Thank you, Madam Chairman.

Ms. ROS-LEHTINEN. You need a microphone. It is easier for the transcriber.

Mr. FRAZER. Mr. Houghton, you said you bet on people; you come from business. And I agree, we should bet on people, but do you believe in light of the suggestions that General Ortega has been involved in, I guess politically motivated murders, a judicial system that doesn't seem to have any independence, and less than forthrightness in the government of Nicaragua in returning property to American citizens, do you believe there has been enough done on the part of that government that this government should continue to support it financially?

Mr. HOUGHTON. I have to look at this in terms of myself, if I were all of a sudden made President of Nicaragua. I challenge anyone to say that they would have done a better job in this period of time. I thought it was going to take at least 20 years to solve the problems of the economy and also get people really believing in a system in which they had never been involved. I mean, even before the two previous regimes, there was no real democratic process there. So I think that they have done an extraordinary job.

Now, whether some of the excess come back or not, will remain to be seen. But you must believe in the power of this extraordinary woman. I mean, I have been to political rallies with her and, you know, I don't know if they are representative or not but they were very impressive to me. And to see the love and the association and the feeling of identity people have for this extraordinary person.

The critical thing, of course, is going to be the next lap, who takes over and whether the National Assembly will be with that person. But as far as Violeta Chamorro is concerned, I think that she is sort of a, you know, a God-like figure down there. She calls herself the grandmother of the country. So people have the most important feeling about her that you can have about a politician. They trust her. And if she says she is going to do something and to date has done it, I have full confidence that those things will be done. The question is: What happens in the election in 1996?

Mr. FRAZER. One more question. Mr. Houghton, I believe everything you said about the grandmother of the country, but is she enough of a counterbalance to the overall ties that Ortega and a corrupt judicial system has with the government of Nicaragua?

Mr. HOUGHTON. Well, you know, Mr. Frazer, I don't know how you curb democracy, other than going back into a sort of a quasi-totalitarian system. There are excesses, and I am sure there are a lot of latent powers who are just waiting for Mrs. Chamorro to get out of office. But every day, the process is strengthened and we hope that it is strong enough now by not only what she has done but what she has meant and the people that have followed her, that it will prevent any explosion or any grievances which we all have seen in the past.

Mr. FRAZER. Is it, therefore, your recommendation that this government continues to support the Chamorro Government?

Mr. HOUGHTON. Well, I think so. You know, every so often, there are sort of, if you will, crumb countries and I think that Nicaragua is one of them. And I asked myself, what is the alternative? Do you stop supporting her and do you turn your back on this extraordinary record, within 5 years? I don't know how she has done it, frankly. And I mean, I ask myself, I cannot believe the figures particularly on inflation, growth in the economy, opening up a private

industry, giving back private property. I didn't know whether it would be possible in a democratic sense with that backlog of the Sandinistas. So I think that we should continue our support.

Ms. ROS-LEHTINEN. Thank you. I think we all agree that we should continue our support for the process. I think maybe centralizing it in one particular individual may not be the best, and focusing so much on that personality, but certainly we are all optimistic that those reforms will really affect the working men and women of Nicaragua and give them the confidence in the reforms that have yet to be implemented.

Mr. HOUGHTON. But, Madam Chairman, I have had a little bit to do, over the years, with South Africa, as you know. And, I don't know, maybe Mr. de Klerk or maybe Thabo Mbeki or maybe Cyril Rhamaphosa or maybe Buthelezi or somebody else could have brought that thing together but I am not sure. I mean, the more I look at Mr. Mandela, he was the right person at the right time, and I feel exactly the same way about Mrs. Chamorro. And you know that she doesn't want to run again. You know that she has left an indelible imprint. But you have got to bet on the person who is there and sometimes that personal magnetism makes a lot of things happen which wouldn't have.

Ms. ROS-LEHTINEN. Well, we thank you. Thank you so much, Amo. Thank you for your insight. We look forward to working with you in the coming months, a very critical time for Central America, most especially for Nicaragua.

Mr. HOUGHTON. All right. Thank you.

Ms. ROS-LEHTINEN. Thank you.

Mr. HOUGHTON. OK.

Ms. ROS-LEHTINEN. We were briefly joined by Mr. Peter Deutsch, and I know he has an interest in all of the issues, especially due to the South Florida constituent interest in this issue, and he will be back. There are just a lot of meetings going on at the same time and this is not indicative of any interest level on the part of our members of our subcommittee. There are just a lot of conflicting schedules right now.

We are very happy to have with us now Mr. Mark Schneider and Anne Patterson, our government witnesses, who are here with us. The subcommittee has worked with them both for many years on many issues, and we always welcome their participation in our subcommittee.

Mr. Mark Schneider is the Assistant Administrator for the Bureau for Latin America and the Caribbean and for the Agency for International Development. It is always a pleasure to see you, Mark.

Anne is the Deputy Assistant Secretary for Central America in the Department of State and is well-known in our community because of her participation in the Cuba talks just a few months ago. So we thank both of you always for being here with us. Thank you.

I don't know who would like to go first. I am not going to get in the middle of that squabble. So we will flip a coin.

**STATEMENT OF ANNE PATTERSON, DEPUTY ASSISTANT
SECRETARY FOR CENTRAL AMERICA, DEPARTMENT OF STATE**

Ms. PATTERSON. Thank you, Madam Chairman. Thank you for inviting me here today. My opening remarks are a brief summary of my written statement, which I understand will be printed in the full record of this hearing.

Ms. ROS-LEHTINEN. Of course.

Ms. PATTERSON. When Assistant Secretary Watson telephoned before this subcommittee just over 2 years ago, Nicaragua still confronted formidable problems. Democratic institutions were in place but partisan conflicts among political elites had paralyzed the legislature.

The size of the army had been greatly reduced but no concrete steps had been taken to establish civilian control over the military. Inflation had been brought under control but the economy was not yet growing and creating jobs. Political violence was still widespread. Administrative procedures for resolving property claims were just beginning to show results.

Madam Chairman, the situation today in Nicaragua is dramatically improved. The National Assembly is vibrant and democratic. Its major accomplishments include a new military code and a far-reaching constitutional reform.

Steps to promote civilian control of the military have been taken. Among them: The President appointed the replacement for the longtime head of the armed forces. Civilians now oversee the military budget and civilian courts now have jurisdiction over military personnel accused of crimes against civilians.

Constitutional reforms shifted power from the traditional dominant executive to the legislature. They also expanded the Supreme Court, making it more balanced and less politicized. The economy is now growing 3.2 percent in 1994. It should increase about 4 percent this year. There has been a substantial decline in politically motivated violence. The government has submitted human rights cases that were investigated or tried under the military justice system to the civilian Supreme Court for review. These cases involve the deaths of 161 combatants.

Last, but far from least, the government has made substantial progress resolving U.S. citizen property claims. Two years ago, only 119 cases had been resolved. Today, there are 637, more than 400 of these in the last year.

The Nicaraguans themselves deserve the credit for this progress but by pressing Nicaragua to resolve its national problems in Nicaragua, a bipartisan policy since 1990 has effectively supported the democratic process and strengthened civil society.

In the early years of the Chamorro administration, the Bush, and later the Clinton, administration provided significant balance of payment support. We provide none now. Our assistance strategy concentrates on consolidating democracy, promoting sustainable development, and health in the environment.

Mr. Schneider will provide you with details of our program.

In pointing to progress, Madam Chairwoman, I do not suggest that Nicaragua does not still face significant challenges. They do. Let me mention some of these. The most immediate is a 1996 na-

tional elections. U.S. policy is to see a second democratically elected government inaugurated in January 1997.

We believe, and we hope the Nicaraguan Government agrees, that OAS/CIAV has an indispensable role to play as a credible international human rights monitor during this period.

Property remains a challenge. The Nicaraguan legislature is currently debating two new laws, one aimed at resolving a host of property confiscation and land tenant issues, another to privatize the state telecommunication agency, TELCOR. The proceeds will be used primarily to back compensation bonds.

We will continue to press the Nicaraguan Government to resolve cases and to help U.S. citizens with their individual claims. Political will is also required on human rights. Tripartite Commission recommendations need to be implemented. Prominent outstanding human rights cases must be solved.

Madam Chairwoman, we work cooperatively with Nicaragua on a wide range of issues that directly affect our own citizens. The Administration believes that our assistance constitutes a good investment in our national interest. We appreciate the subcommittee's interest in fostering this public discussion. We look forward to working with you to help Nicaraguans reach their goal of democracy and prosperity.

Thank you, and I will be pleased to answer any questions members of the subcommittee might have.

Ms. ROS-LEHTINEN. Thank you.

[The prepared statement of Ms. Patterson appears in the appendix.]

STATEMENT OF MARK L SCHNEIDER, ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. SCHNEIDER. Madam Chairwoman, I appreciate the opportunity to appear here this morning.

The committee's focus on the state of democracy in Nicaragua is appropriate and welcome for it accurately reflects the focus of administration policy in Nicaragua and in the hemisphere. As the Summit of the Americas' declaration a year ago in Miami noted, representative democracy is responsible for the stability, peace, and development of the region.

In Nicaragua, we have a strong interest in seeing that nation complete three complex and difficult transitions. These began in 1990, as Congressman Houghton noted: From war to peace, from a centralized command economy to a free market, and from authoritarian rule to democratic government.

Success in Nicaragua also can help consolidate Central America's democratic transition, and failure in Nicaragua could begin to unravel that process in a region still struggling with a history of conflict, injustice, and underdevelopment.

U.S. assistance plays a pivotal role in consolidating these transitions and in advancing U.S. foreign policy objectives in Nicaragua. The year ahead, leading up to national elections and a new government, will be critical.

I think it is important to emphasize that the magnitude of the democratic challenge faced in Nicaragua is impressive. The election

of President Chamorro was the first free Presidential election in more than a century, and some might argue in that country's entire history. Thus, the institutions of democracy are very, very new. They require strengthening. Democratic practices require deepening, and our expectations should be tempered by that historical perspective.

When USAID returned to Nicaragua in June 1990, we focused on helping the newly elected government carry out its mandate for political change and economic stabilization. I think all would agree that the economic stabilization goal has been achieved. The Chamorro Government has reduced annual inflation from over 13,000 percent to 12 percent. The economy grew at a rate of 3.2 percent in 1994 and that, you must remember, is the first positive GDP growth in a decade. Exports increased 29 percent and non-traditional exports actually rose 57 percent.

At the same time, we supported the disarmament and resettlement program of the OAS/CIAV, financed critically needed medical supplies and vaccinations for children, and paid for all new textbooks for Nicaragua's school system. Where children used to learn mathematics by counting grenades, now they are learning by counting mangos.

Our assistance strategy today remains concentrated on three priorities: consolidating democracy, accelerating economic recovery, and improving the health and well-being of Nicaragua's people and their environment.

On the democracy front, Nicaraguans are resolving their differences by debate and dialog, not violence. USAID-financed programs are promoting more political participation, transparency, and accountability in elections, in the legislature, in the justice system, and in civil society. Let me just give three brief examples.

We are helping the newly elected independent Supreme Electoral Council prepare for a free, fair, and transparent 1996 national election. That includes assistance for voter registration, updating what will become the permanent voter list, poll worker training, and bolstering the professional capability of the council. We also will assist with the voter education campaign, and we will fund five U.S.-based NGO's to field election observation teams to evaluate the process.

With respect to human rights, we support the human rights monitoring activities of the OAS in Nicaragua which since 1990 has resettled 120,000 ex-Resistance members and their families. The OAS/CIAV now deals with human rights abuses involving all of those directly affected by the civil war and is establishing a local human rights monitoring network. OAS/CIAV has played a fundamental role in monitoring the implementation of the peace accord, and it has mediated disputes which otherwise could have flared into new conflict.

With respect to justice, we hope to establish a judicial training center which will serve as the heart of Nicaragua's efforts to professionalize its judicial branch. We already have trained some 3,000 members of that judicial system, including about 150 local judges and prosecutors and more than 300 court administrators.

These activities all seek to help consolidate Nicaragua's democratic institutions. More must be done to address the unresolved

human rights cases and to move more quickly in promoting the kind of systemic changes needed to strengthen the justice system so that the basic human rights of all Nicaraguans are protected and impunity ended.

On the economic front, our direct support goes to help small farmers diversify, produce more and sell more; to make markets work; to expand microenterprises; and to promote environmental protection.

Let me share with you two tangible results of this effort. U.S. private volunteer organizations are helping thousands of poor microentrepreneurs around the country, mostly single mothers who are heads of households, to increase their incomes through securing previously unattainable credit. These programs will make loans to approximately 44,000 microentrepreneurs, most of them women.

A second example is in agriculture. We are working with the Nontraditional Agricultural Producers Association, and they are assisting in production and marketing of sweet onions, baby corn, and squash. The value of nontraditional agricultural exports rose from \$2 million in 1990 to \$60 million last year, and we expect 50 percent growth this year. The USAID farmer-to-farmer program is a key part of that success.

Obviously, a great number of problems remain. Fifty percent of Nicaraguans are poor and Nicaragua still ranks 14th on the list of food-insecure countries in the world. Population growth, unemployment, lagging private sector investment and insecurity of property rights put a tremendous drag on the economy. If left unaddressed, these problems could reverse the recent positive trends.

Let me just note one thing with respect to the property settlement issue.

Both last year and this June, I led the U.S. delegation to the Consultative Group, which brought together the international community to look at Nicaragua's economic progress. There was a consensus, an international consensus, that settling the property rights issue is not merely a U.S.-Nicaragua concern. It is a concern of the entire international community, and a great deal of pressure was brought to bear by the international community to emphasize its view that this is essential to economic progress in the country.

On the social front, our assistance strategy focuses on improving the education and health of the most vulnerable Nicaraguans. For example, in 1990, there were 600 deaths attributable to measles. In 1994, there were three. Immunization coverage has climbed now to 88 percent. Infant mortality has dropped nearly 30 percent since 1990 from 72 deaths per 1,000 live births to 51 this year. We think that our assistance program has enjoyed a significant degree of success.

However, there is still much to do. One example is education. While access to education is generally nationwide, problems remain with respect to quality. Only one of every four students who enter first grade completes the sixth grade. That gives you some idea of the challenge ahead in terms of strengthening the education system in the country.

We are working on teacher training, curriculum reform, new textbooks and supporting decentralization in public schools.

Finally, members of the subcommittee, let me note that in the end it is Nicaraguans who must craft their own solutions to their development challenges. The good news is that they are attempting to do just that. Our challenge is to stay engaged, to assist the development process, and to support a successful transition to a second democratically elected government. I believe that we are carrying out policies that should have bipartisan support, that reflect U.S. values and that deliver measurable, positive results in terms of U.S. interests.

We need sufficient resources to see this process through. Just as the Nicaraguans must have the political will, we, too, need the political will to stay the course and help the Nicaraguan people complete their long journey to democracy.

Thank you so much.

Ms. ROS-LEHTINEN. Thank you so much.

[The prepared statement of Mr. Schneider appears in the appendix.]

Ms. ROS-LEHTINEN. I have a series of questions related to the confiscated property issues in Nicaragua. I will begin some of the questions and then ask my colleagues to ask their questions, and then if we have time, I will continue with that, and also human rights questions as well.

I think that there has been a little bit of a different analysis taking place between the constituents whom I represent, and the analysis by your different offices regarding the status of confiscated property in Nicaragua. Our numbers indicate, from the people who have contacted me, that most of those cases that are so-called "resolved" are actually resolved with bonds that are practically worthless.

Presently, our indications are that they are worth 20 cents on the dollar, and there are many more claims than what we have received from the U.S. Government who really have not had their property issues resolved. Relatively few have been settled and fewer yet have been returned to their legitimate owners. They get these bonds that are, as I say, almost worthless. And we have some real cases that I don't need to go into here at this hearing, but if this week I could turn them in to you to see how differently we view this issue of claims being resolved?

Ms. PATTERSON. Certainly.

Ms. ROS-LEHTINEN. I think it is a term of art that perhaps my constituents see it as getting back their money or getting back their property, reclaiming title, something that is different from the way the U.S. Government perceives the Nicaraguan Government as having those cases resolved.

Now, in your figures, how many of the people have filed to get their property back, to be compensated in terms of the value recorded in the municipal assessment registers? Is that, first of all, what you consider to be the true value?

What happens if these records of assessment are not available? The person then, of course, always has the right to appeal and they have this administrative mechanism that is available, or under the attorney general's office or the courts, but how effective have these entities been in doing this? Do they have the proper resources to look at these claims?

Have they been able to remain impartial, which is one of the key issues that my constituents are worried about how impartial these mechanisms have been. So if you could elaborate on your testimony about real problems and whether they have the resources available.

Ms. PATTERSON. I think on the question of the mechanism, there has been great improvement over the past few years. The donors, under the auspices of the United Nations development program, and certainly with the assistance of AID, have set up a one-stop shopping center that enables the claimants to at least present their documents in one place.

Ms. ROS-LEHTINEN. And that place would be?

Ms. PATTERSON. The Office of Valuation. And, again—our understanding is that most of these valuations have improved in recent years. If you do not like the valuation from the office, you can either appeal to the courts or in a number of cases the government and the claimant have agreed to hire an outside arbiter to evaluate the property.

Ms. ROS-LEHTINEN. And this outside person would be someone—

Ms. PATTERSON. Jointly agreed to.

Ms. ROS-LEHTINEN [continuing]. Jointly agreed to?

Ms. PATTERSON. Yes.

Ms. ROS-LEHTINEN. And the issue of resolve, does our Embassy's definition of resolving differ from the Nicaraguan Government's definition or the original owner's definition?

Ms. PATTERSON. No. The Embassy does not record the cases resolved until the claimant tells the Embassy that, in fact, he or she is satisfied.

The issue you are raising is the value of the bonds, however. And, of course, our judgment is the bonds are not prompt, effective, or adequate compensation. But we are very hopeful that the value of the bonds will rise once the TELCOR legislation is passed, which we hope will be sometime before Christmas.

Ms. ROS-LEHTINEN. What kind of improvements do you foresee in the coming months in these mechanisms? You say about this one-stop shop. How long has that been in implementation now?

Ms. PATTERSON. Well, that has been in effect for about a year.

Ms. ROS-LEHTINEN. And you think that it has been an improvement?

Ms. PATTERSON. It has certainly improved the speed of adjudication of cases. With the TELCOR legislation, if the government realizes what they expect to realize, which is something in excess of \$100 million, this will provide money both to redeem and to back the bonds.

Also, in recent months, there has been some improvement in developing a secondary market for these bonds. You can now use them to pay your taxes or pay your utility bills at face value. These efforts, too, should help increase the value of the bonds.

Ms. ROS-LEHTINEN. Now the problem of less resources—they seem to have less resources now available to resolve these issues, and then the problem becomes, is the Chamorro Government more inclined—because of facing the severe lack of resources—to process these property claims making decisions that are not financially sound, helping to check off something that says these cases have

been resolved when, in reality, the person, the legal owner, is shafted because he is getting less than what he should be getting, but it allows the Nicaraguan Government to check off that case and all the numbers we have here of all of these claims that have been satisfied.

I guess by chance most of those people are not in my district, probably a lot of dissatisfied Nicaraguan holders of property, but I guess there are just not too many of them in Dade County because I am sure I would hear from them.

So do you think that this could be a problem, that in their hurry to beef up these numbers and make the record look so good, they have, in turn, more dissatisfied property owners?

Ms. PATTERSON. Well, I think the problem is that people are getting paid in bonds that are worth only 20 percent of face value.

Ms. ROS-LEHTINEN. Right.

Ms. PATTERSON. Eventually, we may have to consider the espousal of some of these claims, which the U.S. Government is certainly prepared to consider at a later date. But for the short run, at least, the best hope seems to be to increase the value of the bonds. There is about \$124 million in outstanding bonds that have been issued to U.S. citizens.

Ms. ROS-LEHTINEN. How would those be increased in value?

Ms. PATTERSON. Well, what the legislation anticipates is that TELCOR will be sold to an outside investor, and, frankly, these telephone companies have been extremely profitable all over Latin America, and roughly 80 percent of the proceeds of TELCOR, which is somewhere between \$100 and \$150 million, would be used to back or redeem the bonds.

Ms. ROS-LEHTINEN. And you think that perhaps these bonds, because of their low face value, it has been one of the issues that the U.S. citizens are unwilling to resolve claims as long as the government offers this compensation at such a low value?

Ms. PATTERSON. Well, almost certainly. And some are holding on to the bonds to see if they increase in value as well.

Ms. ROS-LEHTINEN. And you are optimistic that that will happen?

Ms. PATTERSON. We are reasonably optimistic that that will happen.

Ms. ROS-LEHTINEN. Now the Clinton administration has stated that it hopes to resolve all of the claims by July of this coming year. How realistic is this and what action should the United States take if this is not accomplished?

Ms. PATTERSON. Well, Mrs. Ros-Lehtinen, I think sustained congressional pressure and sustained interest by the executive has been very critical in resolving these claims. But I would like to point out that we are optimistic these cases will be resolved, but we have added an additional 200 cases this year alone to our data base. As people are naturalized, they present their case to the U.S. Embassy where they receive enhanced consular assistance. We think the Nicaraguans, as the Congressman said before me, now believe they have to do this to get private investment. They are committed; they have told us repeatedly they are committed to resolving all 16,000 cases of Nicaraguan citizens.

Ms. ROS-LEHTINEN. Who is committed, the Chamorro Government?

Ms. PATTERSON. The Chamorro Government.

Ms. ROS-LEHTINEN. So you believe the Chamorro Government has been aggressive in enforcing this return of property and they have been helpful?

Ms. PATTERSON. I believe in recent years there have been enormous improvements in this process, both in terms of political will and in terms of administrative support and also——

Ms. ROS-LEHTINEN. I think you are right in terms of improvement because when you start at zero you have got to improve. I just wouldn't classify that as great improvements. Certainly starting at ground zero, there is nowhere to go, but even if you have one case resolved, then you can say, well, we have made improvement when they were doing none. But you do sense a great deal of frustration from the property owners?

Ms. PATTERSON. Oh, of course. We hear from these property owners.

Ms. ROS-LEHTINEN. That they are not satisfied at all.

Ms. PATTERSON. All the time, as you do. Again, I think if you look at the cases over time, the rate of adjudication of these cases has accelerated quite considerably, with a lot of outside assistance through AID, through the multilateral lending agencies. And I think if these property owners will hold on a little longer, they will see the value of these bonds rise quite markedly.

Mr. SCHNEIDER. It seems to me that over the past 2½ years the government of Nicaragua has finally recognized, as a result of our pressure and the international community's pressure, that private investment in Nicaragua, domestic and external, is not going to come about until this issue is resolved. Once they recognize that, they will begin to put in place the mechanisms, including naming a Vice Minister of Property; the one-stop shop in terms of having one place where everyone can go; accepting the need to really move forward on TELCOR privatization; and begin to move on the property law. They have begun both in terms of their procedures and in terms of actions, to demonstrate, I think, a recognition that it is crucial to their own hope for private investment in the country.

Ms. ROS-LEHTINEN. But you would agree that it would lend more credence to their claim of being so forthright in processing these claims if these Nicaraguan officials would not, in fact, be living in illegal confiscated property? That would certainly help in the United States beginning to think that the Chamorro Government is actually actively pursuing the satisfaction of these property claims.

There have been reports throughout the years that Nicaraguan officials, whether from the failed Sandinista Communist regime or the Chamorro Government, whether they are members of the courts or police or security forces or different high officials, who are living in illegally confiscated U.S. property and that, it seems to me, that if an administration would be up front about wanting to confront these issues, those are the very first symbolic high profile kinds of cases that I would resolve. And when I don't resolve those, it makes us think that they are not truly on board.

How many of those types of cases do we still have of government officials, whether past administrations or current ones, who are living in these illegally confiscated properties?

Ms. PATTERSON. We think we have about 12 cases.

Ms. ROS-LEHTINEN. Wouldn't you think that those would be some of the cases—everyone, we are all the same and we all want to have those resolved. But I think as an Administration official, surely I would want to clean up my own act and get rid of those cases.

Mr. SCHNEIDER. We agree with you.

Ms. ROS-LEHTINEN. How are they going to go on to other cases if they still have 12 of those cases?

Mr. SCHNEIDER. We have made the same point to the government and argued the same position that you have just put forward.

Ms. ROS-LEHTINEN. But it is because they know that they are going to get U.S. aid and they are continuing to get U.S. support whether they resolve those issues or whether they don't. I mean, there is nothing that we are holding over them to make them resolve those issues.

Mr. SCHNEIDER. They have resolved—

Ms. ROS-LEHTINEN. I don't wish to say these 12 are more important than others. I just think as an Administration official I would surely try to get the hypocrite label off my back and do those first.

Ms. PATTERSON. But, Madam Chairman, they have resolved 53 of these cases. Again, it helps to look at where they have started and how far they have come in this respect. That is not sufficient. I couldn't agree with you more. Some of these 53 cases are extremely complex legally and involve multiple holdings; they have resolved 53 and there are 12 left. And believe me, the Embassy is working vigorously with the claimants to help resolve these outstanding cases.

Ms. ROS-LEHTINEN. And I don't know which cases those refer to and I will be glad to discuss those with you after the hearing, but I would imagine that those legal property owners are hesitant also to resolve it as quickly as they can because what are they going to get? They are going to get these bonds, so it is really sort of a catch-22 that the U.S. Government would like Nicaragua to resolve it. Yet, the property owner, how anxious should he be to resolve that claim when he is going to get a worthless bond or something that is just not of the same value and least of all get the property back?

Ms. PATTERSON. Madam Chairman, surprisingly, some of those cases have been resolved. This is the one category of cases that have been resolved with cash payments, because often the government official who lives in the house will simply pay the American claimant for the property.

Ms. ROS-LEHTINEN. And in terms of the cash payment, would they be of comparable value of the property?

Ms. PATTERSON. In several cases, in fact, it has represented market value.

Ms. ROS-LEHTINEN. How does the Chamorro Government decide which properties are returned and which are compensated?

We brought up the fact that some get the bonds and some get the cash. Is it an agreement that both parties work out? Does the

Embassy get involved? The courts? How does it determine which ones will be returned and which ones will be compensated?

Ms. PATTERSON. Well, generally speaking, those properties who are held by cooperatives or small land owners are not returned. Those owners are compensated in bonds. In about 167 cases, however, the property has been returned directly to the owner, and this has worked out directly with the claimant and often with Embassy assistance.

Ms. ROS-LEHTINEN. Thank you.

I am going to recognize Mr. Ballenger, and also we have two questions that were submitted by Representative Bachus. If I could read them, Mr. Ballenger, and they can respond before you speak.

To what extent have you had success—and I know some of these you have already answered but if you could respond for the record for Mr. Bachus—to what extent have you had success in solving property confiscation cases in Nicaragua?

What do you think has prevented that kind of success in Honduras which has 50 or more cases involving property owned by Americans at this time? And are there other countries that have as poor a record in this area as Honduras?

What kind of pressure should the U.S. Government put on these governments to return these properties to their rightful American owners?

Ms. PATTERSON. Regarding Honduras, Madam Chairman, the number of cases is considerably less, quite dramatically less than Nicaragua. And they are concentrated in one area of a resort that has gone bankrupt. And we are pressing and have pressed the Honduran Government hard on these cases.

A number of these properties have, in fact, been returned to their American owners. But like the situation in Nicaragua, the Embassy is very actively involved in pursuing these cases. It is just the scale of the problem is much, much smaller than in Nicaragua.

Ms. ROS-LEHTINEN. Thank you. Mr. Ballenger.

Mr. BALLENGER. Thank you, ma'am.

To whomever might venture an answer to this, I think Antonio Lacayo told me 4 years ago that we were going to privatize the telephone company and every time I have met with him since then he is going to privatize the telephone company. So 4 years later they are still saying we are going to privatize the telephone company.

I realize that the legislative body and the Administration don't necessarily see eye to eye on a lot of things but what is the excuse they have got for not having done it in a period of 4 years?

Ms. PATTERSON. Mr. Ballenger, there was no legislature to address this issue until last year. AID had a very excellent program with Price Waterhouse which provided technical advice in drawing up the TELCOR privatization law. It just takes a long time and it has been a very contentious issue within Nicaragua. It is still a contentious issue as is—

Mr. BALLENGER. In what way is it contentious?

Ms. PATTERSON. Well, how much of the telephone company do you sell off? How much exclusive service do you provide?

Mr. BALLENGER. Who keeps what is left?

Ms. PATTERSON. Some of it will be sold to employees but the government will keep some of it. They will sell off 50 percent plus one share. So it will be privatized in a legal sense.

Mr. BALLENGER. But there are other areas of industry that have been owned by the government that have been privatized.

Ms. PATTERSON. Certainly.

Mr. SCHNEIDER. About 350 formerly state-run companies have been privatized since 1990 as a result of the program.

Mr. BALLENGER. What happened to that money, the privatization—when it went private, who got the money?

Mr. SCHNEIDER. In most instances, either the employees or co-operatives that took over or the funds went back to the government.

Mr. BALLENGER. At one time when I was there, it was fairly obvious that, as you say, if you have a small group of poor people that were proceeds of the property, then you don't have to worry about it. It seemed to be a very well-organized operation that you could arrange your group of people to come seize the place so we don't have to worry about returning it.

Mr. SCHNEIDER. There is now a property law currently moving through the legislature. It passed on first reading, I believe last August, on a vote of about 50 something to 19 was the vote with the others abstaining, which indicates significant support.

That law provides guarantees to these small holdings and at the same time takes action against those remaining holdings in order to ensure that some process of evaluation of compensation takes place for the original owners. That particular law is linked to the TELCOR privatization law. There is every expectation, as a result of this vote, that these two laws will move forward together, and that is why we are fairly confident that before the end of the year, they will, in fact, be approved by the legislature.

Mr. BALLENGER. Let me ask you a question because you made the statement that there was no legislative body until last year. Was that because of the difficulty between the Administration—I mean the legislative body did exist before last year.

Ms. PATTERSON. Yes. It did exist. But it didn't function really until this year, that is, to function in any meaningful sense to pass legislation. Really what they have done this year is extremely far-reaching in terms of constitutional reform and electoral reform and now the TELCOR privatization which is pending.

Mr. BALLENGER. It does appear there is some positive action that is coming out where the Administration and the legislative body finally agree on something?

Ms. PATTERSON. Often they don't agree and often the assembly overrules the executive.

Mr. BALLENGER. Who wins the—

Ms. PATTERSON. The legislature has won in some very pronounced recent cases such as constitutional reform.

Mr. BALLENGER. Sometimes it doesn't work.

Ms. PATTERSON. Yes. It is not unlike here in some key areas. But one very inspiring element of Nicaragua is the resuscitation of the assembly.

Mr. BALLENGER. Let me ask you a question: Have you got a record of properties that have been, shall we say, seized and then

to solve the problem they come up with a price, legitimate—illegitimate, whatever number you want to pick, since this Administration has been in office? In other words, I am not talking back in the Sandinista days. I am talking about during the Chamorro Government, that properties have been sold at substantially less than their real value to individuals that have good connections?

Ms. PATTERSON. Oh, sure, we have that record and we can provide it to you.

Mr. BALLENGER. I would love it.

Ms. PATTERSON. There have been a few cases, as the chairwoman indicated, of prominent government officials in this—mostly in the last government, who have bought houses from the Land Development Bank.

Mr. BALLENGER. How did the Land Development Bank get the property?

Ms. PATTERSON. They were confiscated early on.

Mr. BALLENGER. One thing more that I would like to mention, of course, I have worked trying to help economic development of that country and I think anybody will recognize exactly what you said, until property rights have some value there, nobody is going to invest in Nicaragua. Several times I have had individuals that wanted to go down there and see about it and then they find out about the property situation and they say, forget it, I am not going to a country where my money is not worth anything or my ownership can be overdone any time the government wants to change their mind.

Also, with the unemployment—what is the unemployment rate there? It is substantial, I am sure.

Mr. SCHNEIDER. The urban unemployment is now around 21 percent, but underemployment is very significant, probably closer to 50 percent.

Mr. BALLENGER. If you are a young person who is trying to go to school and your mother and father are unemployed and you can earn a little bit of money somewhere, does it make sense to try to finish, you know, grammar school as in this country?

Mr. SCHNEIDER. I think it very definitely does. We are attempting to provide an opportunity to do that by improving the quality of schools.

Mr. BALLENGER. Yes.

Mr. SCHNEIDER. What we are attempting to do is create both the environment and have the training necessary—the teachers and the school books—to attract children to stay in school. And we have been successful, I should add, since 1990 as this change has taken place. Virtually every year we have seen an increase by one or more percent in the percentage of children entering first grade who have stayed to the sixth grade.

Mr. BALLENGER. Right.

Mr. SCHNEIDER. It just hasn't gone fast enough.

Mr. BALLENGER. Let me ask one question because we sent, I think, 17,000 school books to the east coast of Nicaragua. As far as you are concerned—do you know if they were delivered to the educational people down there? Is it having any effect at all?

Mr. SCHNEIDER. Congressman, I am fairly confident that those 17,000 books were delivered to where they belong.

Mr. BALLENGER. Right.

Mr. SCHNEIDER. We have distributed some 13 million textbooks. We have totally replaced the school books since 1990. We are very confident that the decentralization process that is now beginning in Nicaragua is really the right way to have local schools and local communities engaged. And we are fairly confident that that is happening now.

Mr. BALLENGER. As far as the next election is concerned, and knowing the people that are running it and so forth—does there have to be a request from the government itself for people to come and just observe it to make sure there is no cheating going on? Or is it automatic somehow?

Mr. SCHNEIDER. Well, we have been engaged in a dialog with the Supreme Electoral Council which, as you know, to some degree is the fourth branch of government. It has essentially invited us to provide support to nongovernmental organizations to observe the elections. They have also invited us to provide them with support through both U.S. PVO's and a portion of the Inter-American Institute of Human Rights to help strengthen their capacity with respect to registration, with respect to the training of poll workers, et cetera.

I would expect that in addition that there would likely be an official U.S. delegation that presumably would be invited by their government. And my understanding is that they have also invited the United Nations and other international communities to observe the elections.

Mr. BALLENGER. Same group of us that went down the last time.

Mr. SCHNEIDER. I assume.

Mr. BALLENGER. It is a lovely place to go to an election. Living close to the mountains of North Carolina I know what a crooked election looks like, and it is easy for us fellows who have seen people cheat in ours to go down there and see how they cheat in that place. It is really very difficult. They did a good job of keeping it clean down there. I wish we could say the same thing about others.

Mr. SCHNEIDER. I think one of the tests that Nicaragua recognizes that it faces in terms of consolidating democracy is to make sure that not only the election itself is fair but that there is an open campaign leading up to the election, that there is an opportunity for everyone to participate and that the results are respected. That really is a key test for our own policy in that country.

Mr. BALLENGER. There was a law, evidently, on the books that said that political propaganda could not have a map or a picture of Nicaragua or something on it so some of that secret money that everybody talked about that was CIA money but it wasn't, it was my money, we printed and shipped a whole bunch of stuff down there and the government said because it had—oh, it had Violeta, Victoria, and so forth—oh, it had the flag. They said because it had the flag they couldn't use it. Is that law still in existence, in case I want to get involved in another election?

Mr. SCHNEIDER. I think we have to check whether or not any of the changes in the electoral law affected that particular provision.

Mr. BALLENGER. I would appreciate that.

Mr. BALLENGER. Thank you, Madam Chairman.

Ms. ROS-LEHTINEN. Thank you, Mr. Ballenger.

Mr. Frazer.

Mr. FRAZER. Thank you, Madam Chairman.

Mr. Schneider, you said the GDP in Nicaragua is about as low as Haiti, is second only to Haiti in the region.

Mr. SCHNEIDER. Correct.

Mr. FRAZER. You said that you see an increase in a desire for education. Now, if the GDP is so low and unemployment is so high, what incentive is there for anyone to continue his education? In light of the property rights or the lack of property rights, why would anyone be interested in continuing education to finding a job that doesn't exist with companies that refuse to come because of the property rights?

Mr. SCHNEIDER. What we hope is that Nicaraguan parents will see that the education of their children is crucial not only to their own well-being but to the country's future. And we hope that as the economy builds there will be some expectation that the future will bring some degree of progress and parents would recognize that education is crucial to that process.

Mr. FRAZER. Both you and Mr. Schneider would give us this warm feeling that all is going well in Nicaragua and that USAID and the State Department and apparently the Administration wants to give this institution, the Congress of the United States, the impression that things are going extremely well.

We all know it is a corrupt judicial system. We know that what is being referred to as junk bonds are being forced on people whose properties have been taken. As the chairwoman said, you have high government officials residing in these properties. If, in fact, you want to convince this institution that that country is doing so much, why haven't you made more of an effort to have those high officials give back those properties if only for symbolic reasons, rather than come before the Congress and say that things are going well? And they are not.

Another question I would like to ask is, do the owners of the confiscated property have any choice in receiving junk bonds or receiving real money? Or do they have a choice of regaining their property? Why is it that USAID and the State Department are so much in a hurry or so—not as reluctant as I would expect to take what is happening in Nicaragua as things going well?

Mr. SCHNEIDER. Let me start and then let my colleague continue. I think that, again, one has to look at the historical perspective in terms of the previous decades of representation, previous decades of authoritarian rule; and the number of people killed in the conflict. And then contrast that to today, with the end of violence and the beginnings of democratic institutions beginning to perform.

We haven't mentioned the local government that for the first time in Nicaragua's history really has been elected and is beginning to function. We are beginning to see some improvements.

We don't, by any means, say that the situation is perfect. We indicate the enormous road still to be traveled in terms of political development, in terms of the economy, in terms of social development.

But what we are saying is that there has been progress, when you contrast where we are today with where we were in 1990. When inflation goes down from 13,000 percent a year to 12 percent

a year, that reflects some positive steps forward. You see, for the first time again, a fairly significant improvement in the reduction in infant mortality, and that reflects an improvement. You see some additional focus being made on improving the system of justice. Granted, it is not where you or I would like it to be, but we do see training taking place, and we do see for the first time some indication that that system is improving. So with respect to these different areas, we see improvement. We don't believe that the situation is where it should be, but we think that it is essential for us to continue to support progress.

Mr. FRAZER. Mr. Schneider, the chairwoman of this subcommittee just asked—or she just made a statement that any movement from nothing is something. That is true. Why, in fact, is the Administration and USAID, why are you so prone to try to give this subcommittee the impression that what is being done in Nicaragua is well enough that this country should continue aid to that country? From what I have seen and read, it seems as though Nicaragua has a very far way to go, and rather than the State Department and the USAID saying to that country, you have got to do more, why is it that we are giving a rosy picture of things, wonderful things are happening?

And back to the issue of these junk bonds, do the owners of the confiscated property have any say as to whether or not they receive junk bonds or real money? And do they have a choice of going back and regaining their property?

I have a second question. Drugs is a very important issue in this country and it has been said that Nicaragua is beginning to rival places like Colombia as transshipment points. Is the State Department and the Administration addressing that issue and is it making any mention to the Nicaraguan Government that those are issues we are going to consider when we speak about aid?

Ms. PATTERSON. Congressman, let me take the question of narcotics first. It is simply not true that Nicaragua is comparable to Colombia. There is transit of drugs through Nicaragua but it is, by regional standards, relatively light. And we have been quite pleasantly surprised by our degree of cooperation with the Nicaraguan Government. There were two major seizures last year and the Drug Enforcement Administration just last month has opened an office in Nicaragua. Your staff may wish to talk to them, but they have been very encouraged by the level of cooperation they have received from the Nicaraguan Government. They will make a recommendation soon about whether to extend the office past its 90-day trial period.

Regarding the question of the bonds, of course the claimant can decide whether he or she does not wish to take bonds. They can hold out for a larger settlement or negotiate with the government. In many cases, the property cannot be returned because it is inhabited by small farmers or small householders. But, yes, of course they can wait.

Mr. FRAZER. Just one more question. Is there anything wrong with the government of Nicaragua?

Mr. SCHNEIDER. If I could, in each of the areas where we have seen progress, we believe that more needs to be done. In the area, for example, of judicial reform, we believe that much more needs

to be done in order to ensure an end to impunity in that country. We have expressed, I think in both of our testimonies, our concern about the unresolved human rights cases which we continue to press on the government. At the same time, we have indicated the progress that has been made.

With respect to the problem of property resolution, we have indicated, again, where we have seen additional steps taken. We have also indicated where we think more needs to be done.

Mr. FRAZER. Mr. Schneider, I am totally dissatisfied with what is being done in Nicaragua. This is my own opinion—I don't think we should give any further aid to Nicaragua until much more has been done.

Ms. PATTERSON. Mr. Frazer, could I put the size of this property problem in perspective for you? This is a \$1.8 billion economy, a tiny economy by any standards, and the claimants say that the total value of the property is \$500 million, in other words, almost 25 percent of the total GDP of the country. It will be extraordinarily difficult for the Nicaraguan Government, and I might say the Nicaraguan taxpayer, to resolve this issue without outside assistance.

Mr. SCHNEIDER. If I could, Mr. Chairman, could I add one thing to the Congressman's question?

Mr. BURTON [presiding]. Sure.

Mr. SCHNEIDER. Congressman, let me just say that I believe that the U.S. Government has made an enormous investment in Nicaragua for a variety of reasons that relate to our national interest, and I believe that we, at this time, have a small additional amount of commitment that needs to continue to protect that investment in three areas: to help consolidate democracy in that country; to help consolidate the economic reforms that really have changed the economy dramatically from a state-run economy to one that is focused on private-led growth; and in terms of dealing with the fundamental problems of social development.

Mr. FRAZER. Thank you, Mr. Schneider.

Mr. Chairman, I just want to make one more comment. In the name of national interest, this country has thrown money down many rat holes around the world. I think it is time that we reexamine why we continue to do some of the things in the name of national interest, and I have observed when the Congress of the United States presses the Administration, for what is its national interest that demands that we continue feeding these rat holes, we just get back to in the name of national interest. I think we should start examining that overworn phrase.

Mr. BURTON. Before I yield to my colleague, who has been so kind to chair this meeting in my absence, I had to go to the Republican Conference. She has done an outstanding job. She always does.

Ms. ROS-LEHTINEN. Thank you.

Mr. BURTON. Did you want to comment?

Mr. SCHNEIDER. If I could.

Mr. BURTON. Oh, sure.

Mr. SCHNEIDER. If I could, Congressman, with respect to the national interest, I would say that there are three specific reasons. First, it is in our national interest to see economic growth in

Central America and to ensure some degree of responsible development in democratic systems to avoid the kinds of conflicts that occurred in the past decade. Second, economic growth there is in our interest, not only in terms of markets for our own goods but in terms of providing growth in the country so that you don't see increased immigration. I should just note that Nicaragua is about ninth out of all countries in terms of being a source of illegal immigration into the United States, and part of that directly relates to the past lack of development in that country. So I think that that does also have a direct relationship.

And third, I would say that there also is linkage to our national interest in terms of health and the environment.

We were concerned about this virus that just occurred there. And so to the degree that we can, we should try and continue to support development in that country as it relates directly to our own national interest.

Mr. BURTON. Thank you, Ms. Ros-Lehtinen. You did a great job.

Ms. ROS-LEHTINEN. Thank you, Dan.

Mr. BURTON. The President wants \$40 million for aid to Nicaragua in the next fiscal year and Senator Helms has put a hold on that amount, as I understand it. Is that correct?

Ms. PATTERSON. Not that I know of.

Mr. SCHNEIDER. Not that I am aware of.

Mr. BURTON. It must be from previous money.

I am very concerned about American properties that have been confiscated. Some people are saying it is going to take up to 15 years before those claims are resolved. Many of these Americans are going to be dead by then. It is of great concern to me that people in the legislative branch of Nicaragua's government want to legalize the confiscation of those properties that were taken by the Sandinistas.

Now, we are going to give them millions of dollars after we supported them in their fight for freedom and democracy in Nicaragua, yet U.S. citizens' properties have been confiscated and that problem has not been resolved.

I don't know if anybody from the Nicaraguan Embassy is here but they should know there is a great deal of consternation among the Congress of the United States about giving U.S. financial aid while the Nicaraguan Government is screwing American citizens. I believe very strongly that this message ought to be sent to the Nicaraguan Government.

I have the highest respect for President Violeta Chamorro. I have been in her home. She is a fine lady, but she and the Sandinista leaders need to know that if they want American taxpayer dollars they damn well better resolve these claims of U.S. citizens whose property has been confiscated.

I am going to tell Senator Helms I support his holding money in abeyance for Nicaragua or any country where American property is confiscated without restitution. I think it is wrong and I hope that you will convey that to President Clinton. The President needs to be very strong when he talks to the Nicaraguan Government.

The \$39.3 million President Clinton requested in foreign aid to Nicaragua probably far exceeds the amount of money that would be given back in the form of property that was confiscated from

Americans. If this is the case, then they don't need our money anyhow, because they have already taken more than their share in property. We need to make that case and I hope you will make it very clear.

Let me just ask one more question on another subject while I have you cornered here. When the United States went into Haiti we were told that there was going to be freedom, democracy, and human rights and that Mr. Aristide was the pinnacle of purity and would ensure this would happen. I have in my possession a letter from an organization that said it was trying to buy some companies in Haiti. Continental Grain, the seaboard corporation, and two other international companies, went through a bidding process and submitted sealed bids for the revitalization of a Haitian flour mill. As I understand it, the Haitian Government has suspended the privatization process. It won't let these international companies buy these defunct companies in Haiti because they want the government to keep control.

If you look at Mr. Aristide's history, he has supported Fidel Castro and he has been pro-communism; but we were told when the United States went into Haiti in 1944 that he now believed in democracy and freedom and human rights. Yet here we have companies that have actually gone through a sealed bid process in Haiti to help in its privatization of that country to create jobs and a free market economy, and the Haitian Government won't do it.

I think somebody needs to tell the Haitian Government, "If you want AID money, our taxpayers' dollars, and if you want the American people to help refurbish your country, to rebuild the infrastructure that is so vitally needed for jobs, then you better adhere to what you promised. That is freedom, democracy, human rights and privatization for a free economy.

Mr. Aristide is heading in the wrong direction. It really bothers me that we spent many millions of dollars liberating Haiti for Mr. Aristide (who in the past has said he believes in "necklacing" and doing all kinds of things to people that don't agree with him) and everybody said he was a new lover of democracy. Yet the first chance to get freedom, democracy, human rights, and a free market economy, and he says: "We are going to keep the government in control of these industries, which is exactly what they have done in Communist Russia and Cuba.

It is wrong and they shouldn't be getting our tax support if they are going to continue to do that. I hope you will convey that message. I am going to talk to the people in the Senate who can also put a hold on some of the foreign aid moneys going to Haiti. Aristide's approach is just wrong.

Mr. SCHNEIDER. Mr. Chairman, if I could, let me start with the privatization.

As you know, USAID has strongly supported the privatization process in Haiti. We financed the approximately nine studies that were done in Haiti. We financed the analysis, and through the IFC the recommendations went to the previous government in Haiti under Prime Minister Michel. The bids were then solicited with respect to the flour company and the cement plant. Those bids were to have been opened, I believe, October 16th, and in the interim the parliament was elected.

They now have had a change in government. A new Prime Minister just took office yesterday. And it is accurate to say that there has been a delay with respect to the privatization and the opening of the bids. They clearly had questions from the new parliament. The new Prime Minister stated that they were going to review the privatization process and respond to the parliament's inquiries.

Your concerns were concerns that we obviously share with respect to privatization, and we obviously will continue to raise them, and we will convey your concerns with respect to that particular issue.

Mr. BURTON. I am going to give you a copy of this letter from the international companies. If you agree, I would like for you to tell Mr. Aristide and the Haitian Parliament that I think there will be a mood in Congress to curtail support through AID or any other source if they knew that they weren't following up on their promises.

Mr. SCHNEIDER. If I could say two other things, one is that the good news is that at the same time, the Electoral Council did announce the date for the Presidential election, which will provide obviously for a democratic transfer of power in that country. President Aristide continues to state that he will step down on February 7th and hand over to whomever is elected and now the election day is scheduled for December 17th. We obviously will be following that very closely.

Mr. BURTON. Thank you. Ms. Ros-Lehtinen, I am sorry I took so much time.

Ms. ROS-LEHTINEN. No problem. Thank you, Mr. Chairman.

I would like to explore the human rights situation in Nicaragua. Many of us believe that there has been absolutely no progress in dealing with the impunity with which members of the Sandinista security forces continue to violate the human rights—there is just a series of examples. We can use the contra commander, Enrique Bermudez, his assassination; teenager Jean Paul Genie; business leader, Dr. Sequeira. There are so many and those are just a few of the most highlighted and controversial cases where there has been very little progress.

I would like to ask you of the 800 human rights violations and 170 murders in the last 5 years that have been documented by the OAS human rights monitors and attributed to the Sandinista army and other individuals, how many of these cases have been investigated fully and how many soldiers or policemen or other folks have been brought to justice?

In looking at one, the specific case which all of us know, took place just 10 months ago, in which 13 civilians were killed at La Maranosa while in the custody of the Nicaraguan army, and the chairman of this full committee, Mr. Gilman, along with Mr. Livingston, Mr. Spence and Chris Smith wrote to the Secretary of State on this case on March 14th, and in the reply that the chairman received dated April 4th from Assistant Secretary Sherman, she characterized this as, "a clash of gunfire," and cited, an "exchange of fire". So the impression that the department apparently wants to leave with us is that this incident was a squirmish, as the army contends, and not a massacre.

However, that event was investigated by the OAS, the human rights mission, the human rights commission of the Nicaraguan National Assembly, chaired by a Sandinista, the Nicaraguan Association of Human Rights, and the Permanent Commission for Human Rights, and they all confirmed eyewitness testimony that the victims were unarmed and were ambushed while surrendering to the army.

So in addition to the questions about how many of the cases have been investigated, how many individuals have been brought to justice, if you could talk to us about this case and how you explain the department's description of the clash of gunfire, the exchange of fire, when the department knew at the time that there was reliable testimony that the victims were unarmed? And what is the outcome of the Nicaraguan Government's investigation of this case? Has the legal court ruled and has the department considered providing support and perhaps working with the OAS and the human rights monitor so that the victims' families can press their cases in court? Thank you.

Ms. PATTERSON. Yes, Ms. Ros-Lehtinen.

First, I think it is useful to focus on the improvements that have taken place in the human rights situation, but you have raised some very disturbing cases and I will discuss those in more detail.

Political violence is way down in Nicaragua, by any criteria, largely through the efforts of the Nicaraguan Government and OAS/CIAC and a range of human rights groups, several of which are supported by USAID. They have been very proactive in recent years, and there have been enormous improvements.

Now, on the cases that you have raised, these continue to disturb us greatly. The case of the Tripartite recommendations, 170 cases, only seven of those cases have been convicted. But there has been, I think, progress in recent months. Both the head of the army and the head of the police have agreed to submit these cases to the Supreme Court, in other words, to subject the security forces to judicial review. The Supreme Court is in the process of setting up a panel of three judges which will review these cases. We are optimistic, and believe me we will continue to press the Nicaraguan Government at every turn, that these cases should be resolved through judicial procedure, but the record so far is disappointing.

Ms. ROS-LEHTINEN. And the makeup of that panel, who will be involved in it?

Ms. PATTERSON. It hasn't been determined yet, but the Supreme Court—again by means of another constitutional reform, it has been expanded to 12 judges, and the panel will be selected from among the 12 judges.

Now on the La Maranosa case which you also raised, basically we agree with your assessment. I think we know more about that case than we knew when we wrote the letter. It has been investigated by these human rights groups that Mark Schneider is supporting. The case was unfortunately dismissed by a civilian judge in March 2 months after the event. The only recourse now is for the family members, many of whom are from modest circumstances, to appeal the case. And we are optimistic that these human rights groups will assist them in that effort. We are working to make this happen.

Ms. ROS-LEHTINEN. Our government is working with those human rights groups to make sure that they press the government.

Ms. PATTERSON. Yes. We are funding the human rights group as well. They will have to go through the legal process of appealing these cases.

Ms. ROS-LEHTINEN. And you believe that the testimony has been credible that the civilians were disarmed prior to getting on the vehicles?

Ms. PATTERSON. We believe that two investigations by human rights groups and one by OAS/CIAV and, in fact, one by another group confirms that these people were in fact ambushed, yes.

Ms. ROS-LEHTINEN. And what will happen? You say that the family members have very little money. How will we help them in resolving these problems? Are we going to push the case?

Mr. SCHNEIDER. We have been discussing with the two human rights groups we have been supporting, and the OAS/CIAV also has been talking to them. The actual filing of the appeal is not a costly process. I think there is a fairly significant consensus among the human rights community in Nicaragua that those appeals need to take place.

Ms. ROS-LEHTINEN. And will the Nicaraguan Government vigorously prosecute cases once they are referred to civil court? Do you believe that that is going to happen?

Ms. PATTERSON. Well, yes. We had a curious situation in that this was one of the first cases that had ever been submitted to civilian jurisdiction and the civilian judge threw out the case, but again we think there has been progress in all of these cases, admittedly limited progress, but progress, and we think the Nicaraguan Government will prosecute the cases.

Ms. ROS-LEHTINEN. With those highlighted cases that I had discussed, the Enrique Bermudez, the Jean Paul Genie case and Dr. Sequeira, what can you tell us about those?

Ms. PATTERSON. Well, I can tell you that unfortunately there has been no progress on the Bermudez case. Scotland Yard investigated this case some years ago, and there has been no progress since that point.

In the case of Jean Paul Genie, that case has, one, been referred to the Supreme Court of Nicaragua and, two, been referred to the Inter-American court in Costa Rica. My understanding is that the Inter-American court will hear the case next January.

Mr. SCHNEIDER. The Inter-American court accepted jurisdiction both with respect to process and with respect to obstruction of justice. And my understanding was that they as stated, will move forward with hearings on it.

Ms. ROS-LEHTINEN. And Dr. Sequeira?

Ms. PATTERSON. Dr. Sequeira, the perpetrator of his murder is well-known. He is an ex-Sandinista named Frankie Ibarra. He is essentially at large. He has ignored a court summons to appear.

Ms. ROS-LEHTINEN. Do you believe the Nicaraguan Government has been aggressive in pursuing this case?

Ms. PATTERSON. Well, certainly not satisfactorily enough, because he has been at large for some years now.

Ms. ROS-LEHTINEN. Just one more question, if I could—

Mr. BURTON. All right.

Ms. ROS-LEHTINEN. Mr. Chairman, about the weapons and using Nicaragua as the shipping point. There have been some news reports from Honduras that indicate that Soviet-made weapons are still being shipped from Nicaragua through Honduras to certain factions of Mexico rebel forces and then later to South America to be used by drug cartels. Have you heard anything to verify this report? Are we doing anything to look into this?

Ms. PATTERSON. Yes, we certainly heard those reports and we have had our intelligence community look into those and, frankly, we found no evidence that these shipments are, in fact, taking place. We would certainly think it logical, however, that arms trafficking is a big business in Latin America, Central America, South America. We would not find it unreasonable that some of these arms are being shipped through Nicaragua. We just don't have any information to substantiate that one way or the other.

Ms. ROS-LEHTINEN. Thanks. I will ask some questions if we get a chance later about the Presidential elections.

Mr. BURTON. Let me just say in closing that there is a great deal of suspicion about these judges, and the influence the Sandinistas have on them, and whether or not the Sandinistas are helping in getting them appointed so that they will reflect what the Sandinistas want.

Violeta Chamorro is a fine lady but I think many people in the Congress have a suspicion that the Sandinistas still have a great deal of power and they have had great influence in appointing many of these judges. And, as a result, Mr. Ibarra has been running around for years and hasn't been brought to justice.

Let's drop any facade. The fact of the matter is, he is probably not being brought to justice because they can't get it done while you have Sandinista-influenced judges. That is another reason why the U.S. Government shouldn't be using taxpayers' dollars to support the Nicaraguan Government until they establish reforms. There also are many reasons to believe that Nicaragua is shipping weapons into Mexico.

If the Sandinistas caved in and gave up power because they felt there was a better way to skin a cat, then it looks to me as though they may have been successful because they are getting aid from the United States of America.

I just spoke to Senator Helms' staff person here, Elizabeth DeMoss, and evidently the Senator's hold on U.S. funds to Nicaragua was not successful, because Republicans were in the minority at the time. President Clinton went ahead and sent the money to Nicaragua.

But I guarantee you, being in the Majority, it is a different breed of cat. I will do what I can to put some pressure on the Nicaraguan Government, including the former Communist Sandinistas, to be more forthcoming on American property that has been confiscated, and to bring people to justice (as Representative Ros-Lehtinen just pointed out) after they have committed heinous crimes.

Why should we be giving American taxpayers' dollars to the Nicaraguan Government when they aren't doing anything to correct these situations?

With that, I will let you answer the question, and then I will excuse you and go to the next panel.

Mr. SCHNEIDER. If I could.

Mr. BURTON. Don't start telling me how great they are. Come on.

Mr. SCHNEIDER. Let me just talk about one thing, about the Sandinistas.

Mr. BURTON. The Nicaraguan leadership is like Aristide. They are not truly democratic.

Mr. SCHNEIDER. What we have succeeded in doing over the last several years is, in fact, clearly reducing that influence through the democratic process in Nicaragua itself.

The military reform law for the first time provided for greater civilian control over the military. It established term limits for the military leadership. Humberto Ortega was forced to leave. The law provided for the first time ever for the prosecution of military officials, officers, within the civilian courts, whenever the victim was a civilian. That is the fundamental change that has taken place.

Mr. BURTON. If I might interrupt you—how many of those people who have been prosecuted were Sandinistas?

Mr. SCHNEIDER. There have been several, and I think we said there are seven that have been convicted.

But what I was going to get to is that the process is changing. It hasn't fully changed. We need to press further. We are pressing further. In that regard, we agree.

Mr. BURTON. What kind of pressure should we exert?

Mr. SCHNEIDER. Let me just develop—

Mr. BURTON. What kind of pressure should we exert?

Mr. SCHNEIDER. I think we have indicated clearly that our overall relationship is involved in these areas and we want to see movement in terms of democracy, in terms of property settlement, and I think that perhaps some of that would be interesting in terms of what has occurred. I think it would be important to just mention some of the progress that has been made and how much more needs to be done.

But let me just go back for a second. What has occurred with respect to the courts is that, as a result of the change in the legislature, there were constitutional amendments adopted last July. Included was to have the national legislature essentially name the new members of an expanded court. That changed the makeup; it has been much more balanced since then.

And I should say that, again, these are steps. I share with you the view that there needs to be more done with respect to judicial reform. There needs to be more done with respect to the professionalization of judges, prosecutors, et cetera, to operate fairly and impartially.

With respect to property, I would ask my colleague to at least mention to you some of the steps which have been taken, even though, again, we share the view that more needs to be done.

Mr. BURTON. Yes, ma'am.

Ms. PATTERSON. Mr. Burton, the property issue has been one of our highest priorities. The executive branch, with congressional support, has pushed hard on this, and there has been progress. There has been quite considerable progress, both in the number of cases adjudicated and the possibility for real compensation, or real meaningful compensation, for these individuals. There is the one-stop shopping center. There is administrative review.

As Mark indicated earlier, one of the biggest changes is the realization on behalf of the Nicaraguan Government itself that it must resolve these cases before it receives any foreign investment, any meaningful foreign investment.

But I think the TELCOR bill holds out considerable potential for raising the value of the bonds and creating the possibility of some secondary market, so that American citizens and those who are yet to become American citizens—because we provide enhanced kinds of assistance to a growing array of claimants—will find some chance of enhanced compensation. We are not satisfied, but quite considerable progress has been made.

Mr. SCHNEIDER. Could I also mention one other thing. Much of our support in Nicaragua already goes through nongovernmental organizations in providing health, education, agriculture, support to private communities, et cetera.

The kind of support that we are providing to the government is, I think, the sort you also support. We are providing support to ensure that the elections next year are fair and free and open. We are supporting efforts and I believe that there is every indication that they will adopt the necessary mechanisms—to expand registration and providing for international monitoring.

With respect to our support to the government on the judiciary, we are attempting to do exactly what you are saying, trying to ensure greater professionalization, trying to ensure that they, in fact, do prosecute and deal with these cases on an impartial, apolitical basis under the law.

With respect to our support in the economic area, we basically stopped the cash transfers. We haven't done any direct cash transfers in several years. Whatever we have provided has been targeted and privatized. The support, for example, in the agricultural area has gone to the small farmers themselves through local intermediaries. We share your concerns, and will continue to press them.

I truly believe that our support in terms of our assistance program, which is significantly reduced from what it was several years ago, is essential to help keep that country on the path that we want it to maintain and to help it succeed with respect to consolidating democracy.

Mr. BURTON. Thank you both very much. I appreciate your comments. We will just keep the pressure on.

Ms. PATTERSON. Thank you, Mr. Chairman.

Mr. BURTON. Our next panel is: Peter Sengelmann, the director of the Committee to Recover Confiscated American Properties in Nicaragua; Dr. Michael A. Magnoli, the president of the University of Mobile; Roberto J. Arguello, president emeritus of the Nicaraguan American Bankers and Businessmen Association, and Lisa Haugaard, legislative coordinator for the Latin American Working Group.

Welcome. I appreciate you being here.

I think we will start with the 5 minute rule, if you don't mind. If you have longer statements for the record, we will be glad to put it in.

We will start off with Mr. Sengelmann.

STATEMENT OF PETER SENNELMANN, DIRECTOR, THE COMMITTEE TO RECOVER CONFISCATED AMERICAN PROPERTIES IN NICARAGUA

Mr. SENNELMANN. Thank you very much.

Mr. BURTON. Pull the microphone closer so the reporter and all of us can hear you.

Mr. SENNELMANN. Thank you. I want to thank the members of the committee for inviting me to be here today. I have heard a lot of positive things about Nicaragua, and truly some progress has been made. Like Congresswoman Ros-Lehtinen mentioned, when you are at the bottom of the barrel, there is nowhere but up. So I think it has to be admitted that some progress has been made. However, there is another side of the coin that I would like to bring out today.

The question is if the progress that has been made is enough. For example, we find that there has been very limited progress made on the return of property. Looking at the statistics that have been put out by the Nicaraguan Government as well as by the embassy, the American Embassy in Nicaragua, it would take about 15 years to resolve all of the claims.

There is a new property law that is under discussion in the Nicaraguan National Assembly which will legalize the Sandinista confiscations. Some jurists have expressed that this law goes against the Constitution of Nicaragua.

Even in the few cases where property has been returned to the legitimate owner, it has been difficult or impossible for the owners to take possession of the property, and it has already been mentioned that there has been continued impunity for the assassins of Arges Sequeira, Jean Paul Genie, and Enrique Bermudez, and almost 200 members of the Nicaraguan resistance that were assassinated.

I have figures as of July 31, 1995. Approximately 1,692 claims have been presented, of which 626 claims, approximately one-third, have been, "fully or substantially", resolved, in 5 years.

It has been pointed out that in the last 2 years there have been over 400 cases resolved of the 626, which seems to mean that there has been considerable acceleration of progress in the last 2 years. However, of the 476 cases resolved in the last 2 years, 400 cases have been resolved with payment of bonds, which, as has already been mentioned, are worth only 20 cents to the dollar at the present time.

Of all resolved cases, almost two-thirds have been resolved with bonds, as I mentioned. A much larger number of claims have been submitted by Nicaraguans. I heard the figure of 16,000 today. Actually, nobody knows exactly, but the figure, I think, is closer to 25,000. Relatively few claims have been resolved, and few properties have been returned to their legitimate owners.

I have a list that has been published by the Minister of Finance in Nicaragua in September 1995, which lists approximately 2,700 cases where the OOT, which is one of the mechanisms that has been set up to rule on confiscation claims, has ruled against the occupant of the property and in favor of the original owner of the property. I counted approximately 70 cases where the EPS is still occupying confiscated properties. That is the Sandinista army.

The embassy figures show 10 cases still held by the Nicaraguan Government. However, I question whether the 70 cases held by the Sandinista army are part of the Nicaraguan Government. I understand that the army of Nicaragua is part of the government.

The FSLN holds nine properties, and Daniel Ortega personally holds 10 properties, and all of those cases are still unresolved, in spite of the fact that rulings have been made in favor of the original owner of the properties.

We have a case, for example, where the house of Nestor Teran, an American citizen, is occupied by the Cuban Embassy, which refuses to relinquish it, although title of the property is still in the name of the original owner.

Enrique Pereira, an American citizen, was stopped by police from fencing a property which is legally his because the usurper refused to let him have possession even though the title is in Mr. Pereira's name. Criminal charges were filed against Mr. Pereira for trying to fence his own property.

Two of my brothers have had rulings by the courts and the OOT in their favor, and they are unable to take possession of the property because the occupier of the property refuses to relinquish it.

Mr. BURTON. Mr. Sengelmann, could we go into that further when we get to the questions and answers, because I am going to ask you some questions regarding this?

Mr. SENNELMANN. OK. Yes.

To summarize, we would recommend that the State Department and the INS do not allow entry into the United States to any persons who have confiscated or benefited directly or indirectly from the confiscation of property of a U.S. citizen, and this prohibition be extended to include members of the individual's immediate family.

Deny aid to Nicaragua unless substantial progress is really being made before the end of the current Administration.

It is our position that not enough progress has been made, and the commitment the Nicaraguan Government has made of resolving all claims before July of next year, I think is ridiculous. At the rate they are resolving claims now, they couldn't possibly do it.

Vote against loans to Nicaragua through multilateral lending institutions for the same reasons expressed above, and observe carefully the next electoral process in Nicaragua to ensure free and fair elections.

There is talk of a conspiracy to stack the cards against Dr. Arnaldo Aleman, who is the current front runner at the polls. Nicaragua is still a country in crisis in spite of the fact that it is no longer on the front pages of the newspapers in the United States.

The fair resolution of the property issue is one of the most important factors still to be resolved in order to end this crisis and restore Nicaragua economically and politically to a position where it will no longer be entirely dependent on foreign aid.

Thank you.

[The prepared statement of Mr. Sengelmann appears in the appendix.]

Mr. BURTON. Thank you, sir.

Next we will hear from Dr. Michael A. Magnoli. Is that correct pronunciation?

**STATEMENT OF DR. MICHAEL A. MAGNOLI, PRESIDENT,
UNIVERSITY OF MOBILE**

Mr. MAGNOLI. Yes, sir, that is correct.

Mr. Chairman, it is a privilege to address the subcommittee this morning. I come from a little bit of a different perspective in being the president of the University of Mobile. We have a branch campus in Nicaragua with over 400 students enrolled in baccalaureate programs, so we have made a fairly substantial investment in that country. I have traveled there 25 times in the last 3 years, so I have some fair working knowledge of the——

Ms. ROS-LEHTINEN. Mr. Ballenger probably has you beat anyway.

Mr. BALLENGER. We were there together.

Mr. BURTON. The panel won't interrupt the speaker.

Mr. BALLENGER. Excuse me.

Mr. MAGNOLI. Congressman Ballenger and Congressman Torricelli, representatives from Congressman Callahan's office, have all visited the campus.

When I first traveled to Nicaragua in 1992, I found a country in considerable chaos and trying to figure out how it was going to go through the process of change—change from a military-dominated society to a civilian-dominated society; change from a totally disrupted economy to an open economy; more importantly, how they would struggle with the change from the philosophies of Marxism and communism to the philosophies of democracy and how they would find a better tomorrow today.

That was the climate in which I was invited to come to Nicaragua and consider building a branch campus of the University of Mobile, because there was a perceived need for quality U.S.-oriented education in that part of the world.

After months of study, our trustees voted unanimously to move forward with that project, to provide Nicaraguans the prerequisite skills they would need to bring that republic into the 21st century.

More importantly, we felt we were facing some other paramount objectives, helping in a small way to bring long-term stability to that country and to that region, helping promote the ideals of democracy, encouraging an understanding of the benefits of free enterprise and open economies.

We started in 1993 with 96 students and 7 faculty. Today we have 400 students enrolled in baccalaureate programs, some 25 faculty members, permanent faculty members, and that is just with freshmen, sophomore, and junior levels. Next year we will add a senior level and have over 600 students enrolled.

In addition, we have 350 students at any one time in English language programs and over 300 courses of study, from international business to marine science, with all programs taught in English. By 1997 we will be graduating 125 to 150 people with baccalaureate degrees prepared to assist Nicaragua in moving forward and once again becoming one of the premier countries of Central America.

I am pleased to share with you that the university has been embraced by all segments of Nicaragua. President Chamorro made available to us a campus in San Marcos about 40 kilometers south of the capitol city, that had been built as a teacher training institu-

tion. We completely remodeled that facility. Now it is one of the most beautiful campuses you could ask for anywhere.

That illustrates her commitment, but even more so, now that the dream has become a reality, she recently signed a proclamation deeding that campus and some surrounding land to the university so we would have permanence and be able to make a long-term commitment to the republic.

The elected mayor of San Marcos, Mr. Ortega, and the city council have worked tirelessly to make this university a reality. The business sector has opened its arms and been extremely helpful, and the president of our board down there, Mr. Alberto McGregor, is a major member of the business community and has been very influential.

But I would be very reticent if I did not thank AID. This past year AID made a commitment to help fund some scholarships for Nicaraguan students attending the university that did not have the financial means to otherwise go. These were students whose human potential would have been lost to the country if we had not been able to fund their education and help them move from where they are today to where they want to go in the future. We received a grant of \$700,000 over five semesters, or about \$140,000 a semester. That is educating about 43 students.

I am hoping that the success that we are having will allow us to look forward to some additional support so that we might have an even stronger impact on some of those students in that area.

I say all of this to you, but I recognize that there are still a lot of problems in Nicaragua, and I am hoping that the University of Mobile, again, in its small way, can impact those.

One is the question of free elections. Although we are faced today in talking about the immediate problem, we look beyond these elections to elections 6 years, 12 years, 18 years from now, and we have to teach people to respect the election process. The university is trying to do that.

This past year we held seminars on campus and invited all of the leading candidates for office. All of them responded, and the students were able to approach them about any question they wished. Those people opened themselves up to the democratic process.

Now we are working in trying to assist the economy in Nicaragua. Obviously we have put a lot of people to work just through the university. Now we are bringing programs to that country in such areas as ornamental horticulture, aquaculture, shrimp farming, and we are beginning to have a number of programs to train people for the tourist industry. So we see the university making a major impact.

Ms. ROS-LEHTINEN [presiding.] If you could summarize, Doctor.

Mr. MAGNOLI. Yes.

We have made an investment of about \$2.5 million in Nicaragua. We are perhaps the largest U.S. investor in Nicaragua since the change of governments.

I would like to emphasize that what we are dealing with here is development of the human potential of that country, far beyond the immediate problems that we are facing now, and I would like to express to this subcommittee and to AID and to all the members

of the House and Senate our appreciation for the support that we have received.

Thank you.

[The prepared statement of Mr. Magnoli appears in the appendix.]

Ms. ROS-LEHTINEN. Thank you so much.

Now, with great pleasure, Mr. Arguello.

Thank you, Roberto. We pushed you off the table there.

Mr. ARGUELLO. OK. Can I have 6 minutes because I am handicapped?

Ms. ROS-LEHTINEN. You can get it for other reasons. We will give you 6. Then they will be mad at me. So we better keep it at five, Roberto.

STATEMENT OF ROBERTO J. ARGUELLO, PRESIDENT EMERITUS, NICARAGUAN BANKERS AND BUSINESSMEN ASSOCIATION

Mr. ARGUELLO. In my first minute I was going to dedicate it to you.

Thank you very much for inviting me to testify for a second time. The last time I was invited to testify, my grandfather died on the same day and I couldn't be here.

I wanted to tell you, Madam Chairman, Nicaraguan communities have great indebtedness to you for what you have done throughout the years. I can't remember how long you have been helping us, but the bottom line is that you have helped not only the people of Dade County but the people of Nicaragua.

Ms. ROS-LEHTINEN. Thank you.

Mr. ARGUELLO. I also want to mention that Cass Ballenger has been a tremendous force. He shipped two hospitals to Nicaragua that were stolen by a member of the Nicaraguan Government and got them back. I wanted to especially thank Congressman Burton and the comments made by Mr. Frazer were right on the dot.

I tell you this: From the last time I testified, I testified that Nicaragua was a horrible place, and indeed it was. At the time there were tremendous abuses; \$100 million was stolen. This is \$100 million given by the U.S. AID that was stolen from under the nose of the U.S. ambassador. Thank God that ambassador is no longer there.

We now have a great ambassador, Ambassador John Maisto, who, in my opinion, has done a fantastic job but needs our continued support.

Second is that I wanted to tell you that the State Department, even though I am a Republican, I must tell you that under the leadership of Mr. Watson, who I never had the pleasure of meeting, but I have never felt like a second-class citizen when I met people of the State Department. They always listen to our concerns, and they have had an outreach program; they come into Miami. So I thank them.

Mr. Schneider, I have known him from the years that he worked under Jimmy Carter in the Human Rights Bureau. Furthermore, I interviewed a friend of his, Mr. Ruben Zamora from the FMLN, so I know exactly where he is coming from.

I must tell you this, that the problem in Nicaragua is the following: One, that the title of property passes from one person to another person without the knowledge, concern, or compensation to the rightful owner.

Two, the Nicaraguan Government forces, coerces, people to accept whatever they wish, and they make a No. 1 sport to lie to the U.S. Embassy in Managua. They claim that just because you say that you have five properties and they resolved one—and let me tell you how they resolved it, Congresswoman Ros-Lehtinen. “If your house is worth one dollar, we are going to give you 10 cents, and out of that 10 cents is 15 cents on the 10 cents. If you don’t take it, we confiscate, we are going to take it away.”

Furthermore, in my testimony I have a letter which you can see—it is in the back of the testimony—from a gentleman who happens to be here, who is having his property stolen by the Nicaraguan Government right in front of his nose, Mr. Homero Peralta, one of your constituents.

[Mr. Peralta’s letter appears in the appendix.]

I also have a letter here from Jose Cardenal, who has a signed agreement with the Minister of Finance, and this signed agreement was signed about 5 months ago, and they are yet to honor it. And it is here in the testimony.

[Mr. Cardenal’s letter appears in the appendix.]

I want to tell you something else. I think the registrar of properties in Nicaragua is a joke. Any lawyer can change the title of property without the owner’s knowledge and consent.

I want to tell you something else. I think the Sandinista leaders have to lead by example. I am going to answer Mr. Frazer’s question straight on.

Mrs. Chamorro was a member of the Sandinista junta. When she came into power in 1979, she signed the decrees of confiscation. She supported the Sandinistas. She continues to be a Sandinista, and she hides herself being a super nice woman, but the bottom line is that deep inside her heart she is a Sandinista and she is not going to return the properties if we don’t put pressure on her.

I wanted to tell you briefly, because I see the light on, that we cannot let the killers of Jean Paul Genie, Enrique Bermudez, Polo Serrano, and the thousands of Nicaraguan freedom fighters to go on being free.

Furthermore, please, in the next election, don’t have Jimmy Carter to be the great elector of the Nicaraguan elections. And I am going to tell you how the Nicaraguan people lost. In the 1990 elections, the winners lost and the losers won, and I tell you briefly, what happens is—what counts is the recount, and while Mrs. Chamorro was celebrating, and on an unexpected victory, the Sandinistas were recounting the votes, and then they assigned themselves to be members of parliament, seats that they didn’t deserve.

Furthermore, this Nicaraguan election did not solve the problem because a lot of the Members of Congress in the Nicaraguan Congress are people who have stolen homes and have stolen businesses.

Let me add one more thing. I cannot thank enough Dr. Magnoli for what he has done on behalf of Nicaragua. You heard from Mr. Schneider that the problem with Nicaragua is education. Well, I

have never seen a man go and put his job on the line, at the University of Mobile, invest over \$3 million in funds, get something going in San Marcos, OK, and it is a beautiful university that has 400 students, and now it is going to have about 600, 700, students next year. I have to thank him, and I also have to thank Mr. Schneider because he provided funds, \$750,000. I wish he could have given him \$2 million.

To conclude, this is a highly emotional issue for everybody. Thank God now that we have bipartisan support in Congress and in the Senate, and I hope that the United States continues to put pressure on Nicaragua, because otherwise the country would not exist.

Thank you.

[The prepared statement of Mr. Arguello appears in the appendix.]

Mr. BURTON [presiding]. Thank you, Roberto.

Ms. Haugaard.

STATEMENT OF LISA HAUGAARD, LEGISLATIVE COORDINATOR, LATIN AMERICAN WORKING GROUP

Ms. HAUGAARD. I would like to thank the honorable members of the subcommittee for the opportunity to be here today.

I work for the Latin America Working Group, which is a coalition of 58 national organizations, but what I will say today reflects my own views and not necessarily all of the 58 organizations'.

Mr. BURTON. Would you pull the microphone a little closer to you?

Ms. HAUGAARD. I know you are tired of hearing about the positive here, but I really think it is important to do so.

What has happened in the last 6 years in Nicaragua is not just resolving particular cases or looking at particular issues, it is building democratic institutions. It doesn't happen in 6 years. And there have been clear steps that we can really look at as progress in this time.

Just very briefly, what has happened in terms of civilian control of the military, especially the military reform law, the immense package of constitutional reforms that went through, the fact that there is a usually functioning and always very vibrant national assembly, the fact that the 1996 elections are arriving, and there is very little debate and concern about them—there is no questioning that, of course, the elections will come and observers can come and that this is a way to change power in Nicaragua. You know this is new. This is something to be congratulated.

So in all of our concerns about individual cases and what hasn't been done, please don't lose sight of that.

There are, of course, problems, as everyone has pointed out. Very briefly, I think the most serious problem is the temptation to ignore the rules of the game, to walk away from the bargaining table.

In Nicaragua, the rules to the political game, to the democratic game, are brand new. Some are still being worked out. The legislative and the executive branches have rules on paper, but nobody really knows how that works in practice. There have been times of dangerous standoff between the executive and the legislature, for

example, in the last few years and very recently. I think these are very dangerous moments for Nicaragua.

U.S. policy should urge Nicaraguans across the political spectrum to abide by the rules of the game, to resist temptation to walk out or boycott debate, to reject violence of any kind, and to accept the compromises worked out in the democratic process.

A second problem is how to develop military and police forces that are under civilian control. As I said, there have been clear steps in this direction, but more needs to be done. The military law exists on paper, but we need to see how it is implemented. Especially we need to see how cases, military cases, are tried in civilian courts. We don't know that yet. For example, the Genie case is one of great concern, and La Maranosa, and so forth. Another concern I have is the economic power of the military.

A third problem is a flawed justice system, and here I think we almost have, if anything, too little U.S. attention, to this issue. The problem is less the ongoing human rights violations, although there are ongoing human rights abuses, but they are diminishing and more the failure to move cases through the courts.

I think there is a ray of hope here that I wish Congress would support, and that is the promised establishment of a human rights ombudsman's office. This has been very useful in other Central American countries. It is laid out in the constitutional reforms. I am not exactly clear where this project stands, but it isn't there yet. That is an area to be pushed forward.

A final and not least important problem is the failure so far to generate economic progress for the majority of the people. Now, other witnesses have talked about the remarkable accomplishments of the Chamorro Government in bringing down inflation and reestablishing GDP growth. However, there is still a huge unemployment rate, and many Nicaraguans suffered greatly during the economic reform process. The Nicaraguan Government must look at the economic program and begin to find ways to lessen the impact on the poor and ensure a broader-based economic revival.

A word on property. There is a bill before the National Assembly. This is something that should be worked out by the Nicaraguan National Assembly and the executive. I think it is important that we recognize that in this area not everybody will be satisfied and compromise is essential. That compromise must be worked out in Nicaragua.

If you are saying only the physical return of the property is acceptable, well, what is your suggestion for what to do with the 172,000 families and individuals who received title to property in the agrarian reform both under the Sandinistas and during the Chamorro Government? What is going to be done with those 172,000 families and individuals?

Now, I will set aside the cases of those who profited unduly, but I am talking about the poor farmers who did receive property; I am talking about the Resistance members who received title to property. What happens to them in this debate? They are never here when hearings are held. You don't hear from them a lot. They are not your constituents, because they are still in Nicaragua, but this is a very important issue, and you need to think about it.

Finally, I would just like to turn briefly to how the United States can help the democratic process in Nicaragua. First, by continuing aid. I have a very strong vote here for aid. This is one of the poorest countries in the hemisphere. The assistance is well targeted. This is a small investment at this point, and it will pay off.

Second, the United States can help by being nonpartisan, by not favoring one side over another, by urging the compromises necessary in a democracy. The United States can be helpful by balancing the concerns about property, which are real and important, with concerns about institutional strengthening of the judicial system and human rights; and, finally, the United States can help by emphasizing process.

Nicaraguans are negotiating over deeply divisive issues regarding the basic principles on which to organize their society. The United States should not discourage the compromises that are necessary, including where we might choose a different outcome, and yes, that does include the property issue.

All parties to the U.S. debate over Nicaragua for the last 15 years have said that they support democracy in Nicaragua, and of course they do. Well, there is democracy in Nicaragua. It is messy, it is conflictual, it is reflective of national realities in Nicaragua, it is riddled with compromises, it is annoying at times, but it is ultimately worthwhile. Democracy.

[The prepared statement of Ms. Haugaard appears in the appendix.]

Mr. BURTON. Thank you very much, Ms. Haugaard.

You said that many of the confiscated properties are now occupied by people who were involved in the war between the Sandinistas and the contras, and these occupants aren't here to discuss the properties that they now claim. Am I correct in that?

Ms. HAUGAARD. I am speaking of the people who are beneficiaries of the land reform.

Mr. BURTON. Yes. Let me just ask you: Were any of those properties that they now occupy confiscated by the Sandinistas and then redistributed?

Ms. HAUGAARD. Sure.

Mr. BURTON. And so the people who owned the land before are not entitled to restitution?

Ms. HAUGAARD. They are entitled to compensation. What I am saying is that they are absolutely entitled to compensation.

Mr. BURTON. If they are entitled to compensation, should it be fair and equitable compensation?

As I understand it, they are getting bonds worth 20 cents on the dollar, and then the bonds are diminished even to a larger degree, so the former owners are actually getting approximately 10 cents on the dollar for the value of the lands that they once held.

Now, let me ask you a question. Let's say we had a big war in the United States and you owned a farm, and that farm was worth \$150,000, and at the conclusion of that war there was a resolution where the people who were participants divided up your land leaving you nothing. So you went to court, and were told, "We are going to give you \$15,000 for your \$150,000." How would you feel about that?

Ms. HAUGAARD. It is, of course, difficult, and I reserve the right to ask you a question back, if I could.

Mr. BURTON. Oh, sure.

Ms. HAUGAARD. It is difficult, of course, to say what you personally would do in this circumstance.

Mr. BURTON. I have a feeling I know what you would do. But go ahead.

Ms. HAUGAARD. I hope if it were a question of looking at what is really realistically possible, of knowing that poor families would be evicted from that land—that piece of land, of knowing that the problems that face the Nation were enormous, I hope that I would be able to settle, not for nothing, but for bonds, right.

But let me ask you a question here.

Mr. BURTON. Sure.

Ms. HAUGAARD. And that is: What do you suggest actually be done with the people occupying the properties? If physical restitution is the only answer, how would you remove those people from the properties? What kind of force would you use? Where would you put them?

Mr. BURTON. I got the gist of your question.

Ms. HAUGAARD. Yes.

Mr. BURTON. Let me just say that those who believe in democracy believe in property rights as a paramount component of the democracy.

When our forefathers founded this country, property rights were of principal concern. In fact, when we first guaranteed the right to vote, you had to be a property owner to participate. There were many things that our forefathers had in mind when they gave us this country.

Now the Socialists and the Communists believe in the redistribution of the wealth and the redistribution of the property. That is a basic difference between freedom, democracy, and human rights, versus communism and socialism.

Now, if we are going to continue to support Nicaragua (and I am answering your question taking up my time), then there has to be fair and equitable restitution for the property that is confiscated.

I disagree wholeheartedly with the people who believe in using a socialistic slant in solving these social problems.

If you have thousands of people on this land, and it has been redistributed in accordance with the socialistic point of view, let the courts decide whether or not those people should be removed from the land or if they should be able to keep the land.

Once a determination is made, if they stay on the land, there should be fair and equitable payment for that property. It shouldn't be 10 cents on the dollar, because many of those previous owners worked their whole lives to build up a farm or business which was confiscated when the Communists took over. Daniel Ortega, as was stated earlier, has 10 confiscated properties. He and many other Communists, like Bayardo Arce, have taken property. I talked to them when I was down there. They came in and took over your property.

Now, if we are going to believe in free democracy and we are going to support that belief with American tax dollars, your tax dollars and my tax dollars, then we ought to make sure the Nica-

raguan Government is at least heading in the right direction and that there is fair and equitable settlement of claims.

I don't want to take too much more time. As I understand it, Mr. Sengelmänn said that the State Department or the INS should deny aid or deny visas to people and their families who had confiscated property and want to come to the United States to do business? Is that correct?

Mr. SENNELMANN. Yes, I had mentioned that.

Mr. BURTON. You feel strongly about that, do you?

Mr. SENNELMANN. I feel very strongly about that, and I have been told by many people, including people in the Embassy in Nicaragua, that that would be a very effective way to resolve cases, because many of these people would find a way to resolve their cases.

Mr. BURTON. If you took these people and threw them off the land they are now occupying, it would probably lead to more upheaval and another revolution. I think that is a possibility.

Do you think there is adequate compensation to satisfy many of these people who had their land confiscated and divided up among many different people?

Mr. SENNELMANN. First of all, I think that those cases that you just mentioned and that she just mentioned are overstated. They are really a minority of the cases. The majority of the cases are important Sandinistas who use these cooperatives as a front.

However, I do feel that there are cases like that where compensation has to be received. If fair and effective compensation were granted, I think people would accept that. However, at the same time, this is not prompt and adequate compensation.

Mr. BURTON. So what you are saying is the United States should use whatever leverage it can to force fair and equitable settlements?

Mr. SENNELMANN. Yes.

Mr. BURTON. OK.

Do you have any comments, Mr. Arguello?

Mr. ARGUELLO. Yes, and for that same reason I must tell you this: There is an individual, Comandante Arce, that you just mentioned—

Mr. BURTON. Comandante Bayardo, yes.

Mr. ARGUELLO. One of the Sandinista comandantes. Well, he threatened to kill me.

Mr. BURTON. Kill you?

Mr. ARGUELLO. Yes. And the reason why he threatened to kill me is because he stole my dad's and my mother's residence. Furthermore, he stole the residence of my grandmother, who is 88 years of age.

Now, I tell you this: His brother is involved in an arms scandal and has been given visas to come to the United States to buy arms, and he comes here all the time. So we are giving visas to terrorists.

Mr. BURTON. Why don't you give me the information on that and let me check into it with our intelligence people.

Mr. ARGUELLO. Let me say this: I wholeheartedly—even though I have been a victim of the Sandinistas, I must tell you with my heart and with my head that we cannot cut aid for specific programs, such as the University of Mobile, such as the human rights program, such as programs that help the Nicaraguan people. We

want to make sure that aid is given to specific projects, with a proper accountability, and those people who steal United States aid should end up in the United States right next to Noriega.

Mr. BURTON. So you do support aid on a specific basis?

Mr. ARGUELLO. On a specific basis. And I do support this measure that people who have—like Bayardo Arce, like Daniel Ortega, people who are in that report that he has there, should not be allowed into the United States.

Mr. BURTON. OK. You give me the name of the gentleman who is up here running arms to terrorists and so forth.

I presume you agree with Dr. Magnoli. Don't you?

Mr. MAGNOLI. All the way, sir.

Mr. BURTON. OK. Then I don't need to ask you a question.

Ileana Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you very much. Just a quick question to Mr. Sengelmann and Mr. Arguello.

If you were to make, each, two recommendations to our U.S. Government on how they could help in resolving these property issues, we realize that the visas and the cutting aid, but some that you think that they might be agreeable in supporting you, what two recommendations would you make to our U.S. officials in helping you to resolve the issues? What should the U.S. Government tell the Nicaraguan Government must be done, if we could have two separate recommendations?

Mr. SENNELMANN. Well, I think first of all that the emphasis should be put on the return of properties.

Ms. ROS-LEHTINEN. The return of the physical properties rather than the—

Mr. SENNELMANN. The return of the physical properties. I think it is very evident that of the 476 properties resolved of American citizens in the last 2 years, 400, over 90 percent, were bonds.

Ms. ROS-LEHTINEN. Right.

Mr. SENNELMANN. We all know what they are worth. I think that would be one recommendation.

The other one would be to really face the issue of property, regardless of the enemies that the Nicaraguan Government might make with the Sandinistas in the army or in Nicaragua, who are still very much in power even though they are not officially in power.

Ms. ROS-LEHTINEN. Those are very good.

Mr. SENNELMANN. I think there should be more courage in addressing these problems.

Ms. ROS-LEHTINEN. Thank you.

Mr. Arguello.

Mr. ARGUELLO. I would say the following: First is that the Department of State continues its outreach program to reach out to Nicaraguans who are in exile, who are making a positive contribution to Nicaragua, who provide \$300 million of assistance to Nicaragua, more than the United States ever does.

Second is, I hope, even though I said a couple of things about the Department of State—if I get invited to the Department of State again—that the Department of State works very diligently with Congress to find a solution to the property issue, because it is very emotionally charged.

I was invited by Jimmy Carter to go to Nicaragua, to Montelimar, and, frankly, I was kind of deceived by the former president, and Robert Pastor kind of lied to me in the things that they told me they were going to do. They were going to have the property rights issue discussed in Atlanta, and then they changed it the next day to just a stolen piece of property. So I said, no.

The last thing is that I hope that the Congress understands and realizes that it is very, very important that we cannot allow to continue to give visas to people who have stolen property from American citizens, and to terrorists. But in addition to that, we have to be able to continue to provide funding for specific programs to help the Nicaraguan people.

Ms. ROS-LEHTINEN. Thank you.

I have to speak on the floor, so I won't be able to——

Mr. BURTON. I will be right down there. I can't miss that. I'm teasing.

Ms. ROS-LEHTINEN. I am going to tape it and make you watch it.

Mr. BURTON. Thank you.

Ms. ROS-LEHTINEN. Thank you so much, ladies and gentlemen.

Mr. BURTON. Mr. Frazer.

Mr. FRAZER. I just wanted to say that the statement that you made earlier, Mr. Burton, when you made reference to Haiti and Nicaragua kind of in the same paragraph, I endorse and would join you 100 percent in the sentiments.

I think that Congress is becoming a little weary of the State Department, an organization such as USAID, coming before the Congress and almost behaving as an apologist for these regimes that we have been asked to support all over the world in spite of the fact that they violate human rights. They refuse to, as in the case of Nicaragua, return property to rightful owners.

And I would just kind of step back, Mr. Schneider, to say that the State Department was aware that there was evidence to the contrary about the La Maranosa killing. However, they sent a letter saying, in fact, that it was a conflict, there was some kind of a conflict.

I agree with you, Mr. Burton. I think the Congress is just a little weary of being asked by the State Department to support these kinds of regimes.

Mr. BURTON. Thank you very much. I appreciate your comments.

Mr. Ballenger.

Mr. BALLENGER. Yes, sir. Just a couple of quick questions that maybe haven't been covered.

I would like to ask any one of you that could: There was a settlement made on the eastern side of the lake, I think, for the contras who were looking for land. Has that worked? Did it occur? That was where one of those hospitals was supposed to go.

I don't know whether anything has been done as far as if the Sandinistas are stealing land by putting a whole bunch of people on it. The land toward the east that was supposedly given was going to be given to the contras. Did that ever occur?

Mr. SENNELMANN. I don't know. I don't think so.

Mr. BALLENGER. That is terrible.

Mr. ARGUELLO. I can answer about your hospitals. Right after you called me, when the two hospitals were stolen, it happens that the hospitals were being held hostage by the former minister of—

Mr. BALLENGER. Health.

Mr. ARGUELLO. Health, yes. This is now the great ambassador to Colombia. So your hospitals are safe and are in Nicaragua.

Mr. BALLENGER. Well, that is good.

I have heard a rumor—and I would love to know if anybody knows it for the truth—that Cardinal Obando Bravo may be offered a position at the Vatican. Have any of you heard anything like that?

Mr. SENNELMANN. No.

Mr. ARGUELLO. I can answer that one, because I did ask the question to him a couple of days ago. He said no. That is a rumor. But he is highly concerned with the safety of the Pope.

The Pope will be coming to Nicaragua in February, and there has been tremendous concern—I mean they have been bombing most of the churches in Nicaragua. Remember the last time that the Pope came to Nicaragua, he was improperly received. People were screaming, yelling, and so there is tremendous concern about the Pope's security in Nicaragua.

Mr. MAGNOLI. Mr. Ballenger, that rumor that you have heard should be taken as a sign of respect that the people of Nicaragua and the rest of the world have for the Cardinal.

Mr. BALLENGER. Very definitely so.

But I don't want to put anybody down in Nicaragua. Every time I went there, he was the only one I thought I could trust to tell me the truth. It seemed to me everybody in Nicaragua has a self-serving attitude.

Except, Doctor, let me just say that I think that what you are doing is excellent. I was there early, at the very beginning, and I am glad to see that it is growing in the manner in which you planned it, and the future of Nicaragua is those students that you are training right now.

Mr. MAGNOLI. Thank you, sir.

We agree with you that there are some serious problems that need to be faced. Unless you have walked in the shoes of the last 5 years, it is awfully hard to understand how far things have come from no process for these people to work with to solve problems to finally developing processes of democracy that will work. And it is struggling, it is stumbling, it is going to make some mistakes, but it is coming together.

We have only to look back at our own country and wonder how long it took in the very early days for democracy to become a reality. That doesn't condone any of the wrongs that may occur, but it is to say we have got to take the long view, and that is why we believe education is so critical.

Mr. BALLENGER. Right.

Mr. ARGUELLO. Can I just add to that?

Mr. BALLENGER. Sure.

Mr. ARGUELLO. All sides of Nicaragua—Sandinistas, no Sandinistas, the business sector—everybody supports the University of Mobile. As you heard, there are 400 students right now full time, and 250 are studying English. Next year they are going to have a

senior class, and so you are going to have about 850. He hasn't even talked about the economic impact that the university has made to Nicaragua.

Furthermore, let me add this: The University of Mobile is the only true investment that has come into the country since Violeta Chamorro took power. So I hope the AID learns from Dr. Magnoli and, furthermore, works closely with him, because I think that the level of the scholarships that they are giving him, although it may be adequate at the present time, is not it should be. It should be three times as much.

Mr. BALLENGER. Let me ask one question, my final as far as I am concerned. You mentioned the fact that probably Nicaraguans in this country sent back \$300 million to Nicaragua, which is far and away the largest amount of money they get from anybody. I think in El Salvador it is \$800 million. But there is a bill in Congress today—I don't know if you all have looked at it—that talks very seriously about sending illegal aliens back and how many illegal Nicaraguans live in this country today, I don't know, but there are large numbers of both Salvadorans and Nicaraguans that work here. They came and got lost in the crowd here.

If somebody goes out of their way to send back those people that are actually sending money to help support their families down there, I think it would behoove you all to look at that bill—it is Lamar Smith's bill—see what effect it would have on Nicaragua. It could be a rather dangerous thing for almost everybody.

I know El Salvador was looking at it very seriously and got in touch with me and asked me if could I look at it and see what we could do. We have changed it a little bit, but how much I don't know.

Mr. ARGUELLO. You know, the sad state is that if the Department of State and Department of Justice, they could solve the problem with a snap by granting—extended voluntary departure. That would solve the problem immediately, because what happens is, that would freeze all deportations.

And let me tell you this, why it is important. First, a lot of the people who are being forced to go back to Nicaragua have children who were born in the United States, just being families. Two, these people are sending money to Nicaragua. Three, these people have been taxpayers of the United States and are well behaved citizens. The crime rate of Nicaraguans in Miami is close to zero.

So there are a whole bunch of reasons why I think that the Department of Justice and the Department of State could be of actual help.

Now, have we received any help? The answer is, no.

I think that if we get involved with Congress, we are going to get into a very messy mood as a result of our proposition on H.R. 187, and I don't think the bill is going to go through, the bill that Ms. Ros-Lehtinen bravely and all the congressmen are trying to help us out.

But I wish that Congressman Burton, the chairman, understands and you understand that the State Department and the Department of Justice could actually help us with a snap.

Mr. BALLENGER. Well, I just know it is a major problem, and I haven't heard anything from anybody from Nicaragua.

Mr. BURTON. If the gentleman would yield?

Mr. BALLENGER. Sure.

Mr. BURTON. I am not sure I understood. How could the State Department and Department of Justice help?

Mr. ARGUELLO. Maybe you could ask Mrs. Patterson. It is called extended voluntary departure.

Mr. BURTON. Extend what?

Mr. ARGUELLO. Voluntary departure.

Mr. BURTON. Voluntary departure. I see. So in other words, give them more access where they could come and go. Is that right?

Mr. ARGUELLO. And freeze everything.

Mr. BURTON. I see. OK.

Any other questions?

Well, let me ask you two final questions. Dr. Magnoli, you said you were getting \$140,000 per semester from AID. Is that correct?

Mr. MAGNOLI. For five semesters. That was their commitment.

Mr. BURTON. \$140,000 per semester for five semesters, and there are 43 students that benefit from that?

Mr. MAGNOLI. Right.

Mr. BURTON. I just was putting a pencil to this; \$3,259 per semester. How does that square with what you charge on the Mobile campus?

Mr. MAGNOLI. It costs us about \$10,000 to educate each of those students. In every case we require the student and the family to pay as much of that as they possibly can. We turn to the business community and some of our own institutional funds to make up the difference.

Mr. BURTON. What does it cost in Mobile?

Mr. MAGNOLI. It is just about the same. The tuition is about the same.

Mr. BURTON. So what you are charging down there is consistent?

Mr. MAGNOLI. Basically our costs down there are just about the same as they are in the United States since most of your university costs are in personnel.

Mr. BURTON. Even though the value of the dollars has accelerated because of the economy?

Mr. MAGNOLI. We pay in dollars.

Mr. BURTON. OK. I am not criticizing. I was just curious about that.

Mr. MAGNOLI. That is one reason we do that, because it costs the same in both locations.

Mr. BURTON. It seems to me that is money well spent.

Mr. MAGNOLI. Years ago we were bringing a lot of students from Central America to the United States to educate them here, and we spent 2½ times, \$25,000 a year, to educate students that we educate there for \$10,000. Not only that, we brought them to this country and they tended to not want to go home. These students stay there after their education.

Mr. BURTON. That being the fact, can you put campuses in 25 or 30 countries down in Latin America?

Mr. MAGNOLI. Yes, sir. With your support, we can.

Mr. BURTON. I want to thank you all for being here.

If the Nicaraguan telephone company, TELCOR, was privatized, would the people who were compensated with these bonds which

are worth 20 cents on the dollar be satisfied? Would that go a long way toward satisfying them?

Mr. ARGUELLO. Me?

Mr. BURTON. Any of you.

Mr. SENGELMANN. First of all, I would like to take advantage of this to say the privatization of TELCOR has been completely over-emphasized as if it were the solution to all or most of the problems of the compensation and confiscation.

Like I said before, more property should be returned. And, second, even if it is privatized, I think it will raise the price somewhat. Nobody knows exactly how much. Nobody knows what the value of the bonds will be. But the people I have spoken to all seem to agree if the value goes up, it will not go up over 50 percent.

Mr. BURTON. We might be looking at 30 or 40 cents on the dollar.

Mr. SENGELMANN. Exactly.

Mr. BURTON. It would be a step in the right direction, but not a proper solution.

Mr. SENGELMANN. Exactly. A lot of people who accepted bonds would be happy because they are getting more than what they expected, but they have been forced to accept bonds in the first place. I don't think in the long run they would be satisfied. I don't think it would solve the property problem or that confidence would be re-established in Nicaragua for investment.

Mr. ARGUELLO. Mr. Chairman, let me expand what Peter said. I agree 100 percent. But since Cass has been waiting 5 years for that to be privatized, let me say the following. What Mr. Mark Schneider indicated was that Price Waterhouse has support in privatizing it, I think is excellent. I want to make sure that he and you understand that a privatization has to be a privatization whereby not a person will be pinpointed by someone and say you are going to privatize it and make \$30 million apiece. It has to be an open process, democratic process. Whoever steals the money should be in jail. The money received from the court should be in U.S. funds deposited in U.S. banks to make sure that those moneys back the bonds.

Mr. BURTON. OK.

Mr. ARGUELLO. You need to be very careful because you are talking big business, OK, and there are a lot of people who are just waiting like buzzards.

Mr. BURTON. Waiting like—what is that?

Mr. ARGUELLO. You know there's a dead person, and they are circling all around. They are waiting for them to privatize to steal the money.

Mr. BURTON. You mean like buzzards.

Mr. ARGUELLO. Yes. And then Cass will be very unhappy.

Mr. BURTON. That is a very graphic illustration.

I want to thank you. With that, we are adjourned. This has been a very good hearing.

[Whereupon, at 12:45 p.m., the committee was adjourned to reconvene at the call of the Chair.]

APPENDIX

AMORY HOUGHTON
31ST DISTRICT, NEW YORK

MEMBER
NORTHEAST-MIDWEST
COALITION



Congress of the United States House of Representatives

COMMITTEES
COMMITTEE ON WAYS
AND MEANS
SUBCOMMITTEE ON TRADE
SUBCOMMITTEE ON HEALTH

COMMITTEE ON
INTERNATIONAL RELATIONS
SUBCOMMITTEE ON AFRICA

TESTIMONY OF CONGRESSMAN AMORY HOUGHTON, JR. TO THE SUBCOMMITTEE ON THE WESTERN HEMISPHERE

COMMITTEE ON INTERNATIONAL RELATIONS

U.S. HOUSE OF REPRESENTATIVES

NOVEMBER 9, 1995

Chairman Burton, members of the Committee, thank you for the opportunity to speak before your subcommittee on a matter near and dear to my heart -- the state of democracy in Nicaragua.

First, let me explain my relationship with the country and its government, specifically President Chamorro, who is a dear friend to me and my wife, Priscilla. In 1988, I first traveled to Nicaragua with a delegation of educators from my district to promote the values of education, and set up a private scholarship program for Nicaraguan students to study in this country. While there, I met an extraordinary woman named Violeta Barrios de Chamorro, the wife of assassinated President Pedro Joaquin Chamorro, who then was publishing *La Presna*. Two years later, I revisited Nicaragua with Elliott Richardson, as part of the United Nations' Electoral Observation team, to oversee their first democratic elections. In April of that same year, I personally witnessed Violeta Chamorro's

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inauguration.

I returned again in 1993 with Priscilla and two of my grandchildren to see the tremendous changes that Nicaragua has undergone under her steady and courageous leadership. This past September, at our most recent meeting, we hosted a luncheon here in the Capitol where we continued our discussion of the far reaching changes that Nicaragua has undergone in the last five years, especially this past year.

For the purposes of this hearing, I'd like to touch on several areas of importance -- the status of property claims settlements, improvements in human rights, as well as changes to the economy and electoral system.

First, regarding Property Claims -- this is a very difficult issue and I certainly don't claim to be an expert -- but my sense is that the government of Nicaragua is committed to resolving all, repeat all, outstanding property confiscation claims by the close of President Chamorro's term which means the end of next year.

To that end, both the government of Nicaragua and the U.S. Embassy in Managua established a database of approximately 1,400 U.S. citizen confiscated property claims. These, of course, were inherited by the Chamorro government. At the end of 1994, the total number of claims had been reduced to around 900. The government of Nicaragua then undertook to settle the remainder of those cases at the rate of about 300 every six months for the succeeding 18 months. As a result, by July 1, 1995, more than half of those cases included in the original

database had been resolved.

For some this may not be fast enough, but I feel that the numbers really speak for themselves. President Chamorro has made a commitment to settle the remaining claims by the end of 1996. I have total faith in her. If **anyone** can do it, Violeta Chamorro is the one.

In the area of Human Rights, the government has made several moves toward improving their record. For instance, last year the National Assembly established a new military code which substantially strengthened civilian control over the military. As we all know, as a result of the new term limits included in the Code, Humberto Ortega, brother of former Sandinista President Daniel Ortega, has been replaced as head of the Nicaraguan Army.

The new Code provides for the prosecution of members of the military through civilian courts, in an effort to hold soldiers accountable to civilian authorities, and for financial disclosure of all senior military officers to provide for better accountability.

As an aside, in the most recent Organization of American States (OAS) report, Nicaragua was not identified as a human rights violator. In fact, in February of this year, Nicaragua joined the U.S. at the United Nations to condemn human rights abuses in Cuba and China.

Let me turn to the Economy, for a quick evaluation of Nicaragua's performance during the past five years as a democracy. The economic system inherited by the Chamorro administration featured a centrally controlled economy

in which the State was responsible for a minimum of 40% of the GNP. There was a small and over-regulated private sector. Market institutions were weak and GDP ultimately fell below the level of 1970. Hyperinflation reached an almost unimaginable 40,000 percent. Foreign debt amounted to more than six times the value of the GDP -- clearly exceeding the country's repayment capacity.

In only five years, the Chamorro administration has been able to reverse most of these negative economic trends. The government embarked on a concerted course of economic reform and trade liberalization to strengthen democracy and promote stable economic development through the gradual re-implementation of a free market-oriented economy. The results have been remarkable. Hyperinflationary levels have been drastically reduced. They expect single digits for 1995. GDP increased 3.4% in 1994, and is expected to grow by 4% when the 1995 figures are in. This recovery is closely related to a 30% increase in the value of exports, producing hard currency.

In addition, a number of social action programs, such as improving the quality and coverage of preventive health care and primary education, have been introduced to help eliminate poverty.

Nicaragua has also conducted the most far-reaching privatization program in Latin America. State control of productive activities has been reduced from 40% of the GNP in the 1980's to less than 5% in the 1990's. It is expected to disappear by the end of the year.

Finally, let me say a few words about democracy. There is a "triple

transition" occurring now in Nicaragua -- 1). from war to peace, 2). from a centralized to a liberated economy, and 3). from a military dictatorship to a democracy. The Chamorro Administration is keeping the country together during these transitions. Nicaragua is something to be proud of. It is a success story. From a society that was bitterly divided by years of conflict comes a stable government with all of the new freedom that evolves along with *democratization*. Not many people realize that their constitution calls for four branches of government -- the Executive, the Legislative, the Judicial and the Electoral. Nicaragua today boasts an active and independent National Assembly representing probably too many political parties. But the Assembly continues to pass pieces of legislation that are key to facilitating the changes that have occurred in Nicaragua. In October of 1996, Nicaraguans will return to the polls to elect the next President. The people of this small but extraordinary country realize that free elections are the key to their future since democracy is the key to their success.

Mr. Chairman, I wanted to come before the subcommittee today to emphasize that this country is well along in the process of turning itself around. Are there problems in Nicaragua? Absolutely. It has only been five years. The road is still long. There will never be an absolute destination. But under the leadership of President Violeta Chamorro, Nicaragua has undergone wrenching changes of which any one of us would be proud.

Testimony
by

ANNE W. PATTERSON
Deputy Assistant Secretary of State
for Inter-American Affairs

Statement to the House International Relations Committee,
Subcommittee on Western Hemisphere Affairs
November 8, 1995

Mr. Chairman, Members of the Subcommittee:

Thank you for allowing me to appear before you to discuss the situation in Nicaragua and present a progress report on how this administration is carrying out policies to consolidate democracy, advance human rights, promote national reconciliation, encourage sustainable economic development, and protect property rights in that country.

BIPARTISANSHIP

It was just over two years ago -- on October 6, 1993, to be precise -- that my State Department colleague, Assistant Secretary Alexander Watson, appeared before this subcommittee on the subject of U.S. policy toward Nicaragua. Much has changed in Nicaragua during these two years -- for the most part positive change, as I will outline shortly. What has remained constant, however, is the fundamental tenet of American foreign policy -- the tradition of bipartisanship. As Secretary Christopher said shortly after the midterm elections of last November:

...The recent elections changed the balance of power between the parties. But they did not change -- indeed they enhanced-- our responsibility to cooperate on a bipartisan basis in foreign affairs...

"President Clinton and I are determined that a Democratic President and Republican majorities in Congress can and will work together to maintain our nation's leadership in the world. It is in the direct interest of each and every American that we succeed."

Early in 1993 Secretary Christopher laid out the themes that would guide the Clinton Administration's approach to our relations with the countries of the Hemisphere -- themes which

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are the basis for the bipartisan foreign policy which, in 1995, we continue to pursue with conviction and energy and -- in the case of Nicaragua -- with notable success:

"The United States will direct its aid and influence, in every way possible, to enable the nations of this Hemisphere to advance human rights and strengthen democratic institutions which promote the rule of law. We will support, through our foreign assistance, the development of civil society. We want to work with governments to strengthen key public institutions and the administration of justice. We want to share our experience to help democratic governments to fight corruption and other abuses of power."

Our policy toward the region, and toward Nicaragua, is rooted in the context of the realities of the 90's:

- o Central America is no longer a geographic battlefield -- that issue has been decided. The Cold War is history.
- o The nations of the Hemisphere, including Nicaragua, have chosen to strive for democracy and free market economies as the model most likely to assure prosperity and political freedom.
- o there are two corollaries here: (1) there is no democracy without respect for and protection of human rights, and (2) the free market does not function without guarantees for private property.
- o There is increasing competition for an ever-diminishing amount of international assistance funds -- both bilateral and multilateral. Countries have to convince donors that they are on the right track -- that they are building institutions that will sustain democracy, the rule of law, and peaceful reconciliation of political differences; and that they are preparing themselves for eventual integration into regional and hemispheric free trade systems. Nicaragua cannot afford to lag behind its neighbors.

Where Nicaragua Was in 1993.

when Assistant Secretary Watson testified two years ago, the democratically elected government of President Violeta Chamorro was just three years old. That government was presiding over perhaps the most fundamental political and economic transformation of any country in the Hemisphere -- from a country at war to one at peace, from a dictatorship to a democratic transition, and from a statist, command economy to one based on the free market and respect for the right of private property. There is no doubt that progress up to that point had been made on all these fronts, but Assistant Secretary Watson reported to you that the country still confronted formidable problems:

- o Although democratic institutions were in place, the three main political forces -- the Government, the still powerful

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Sandinista National Liberation Front (FSLN) and the National Opposition Union (UNO) -- had reached a point of mutual antagonism that produced a virtual paralysis of the legislative branch of government.

- o Although the Sandinista Popular Army (EPS) had been reduced in size from 85,000 in 1990 to under 15,000 in 1993, control of the military, as well as the police and intelligence apparatus, remained in the hands of individuals who were not committed to the principles of civilian control and accountability and nonpartisan professionalism.
- o Significant numbers of human rights violations were still being committed against demobilized members of the Nicaraguan Resistance in the traditionally conflictive northern areas of Nicaragua. A Tripartite Commission -- composed of the Government, the Catholic Church, and the OAS's International Commission of Support and Verification (CIAV) -- was just starting to reopen these unresolved cases for investigation.
- o Although President Chamorro's macroeconomic stabilization program had dramatically reduced inflation and restored the confidence of the international lending community, Nicaragua's resource-poor economy in 1993 still lacked the vitality and investment needed to produce positive growth and create jobs in the private sector. A newly minted administrative process for resolving thousands of outstanding property confiscation claims dating from the Sandinista period was just beginning to show positive results.

NICARAGUA TODAY

The Administration was convinced then, and remains convinced, that the only feasible way for the U.S. to assist Nicaragua is through a policy that reflects basic American values, at the same time that we promote, and indeed insist upon, measurable progress as Nicaraguans resolve their own political and economic problems. The proper arena for that task is in Managua, not in Washington. And the key to the resolution of Nicaragua's problems lies in fostering a spirit of reconciliation; continuous, frank dialogue among all political, economic and civil actors; and the demonstration of a willingness on the part of all Nicaraguans to compromise and to shoulder shared sacrifices to move the country forward.

If we look at where Nicaragua was two years ago, and where it is today, I think a strong case can be made that the trend is in the right direction.

Today, the National Assembly, under strong multiparty leadership, is functioning in a vibrant, democratic fashion. It has tackled tough issues, and has registered major legislative accomplishments -- a new military code, a major reform of the Sandinista constitution, new narcotics and labor legislation.

The new military code was passed in September 1994 over the doubts of many Nicaraguans who thought it would never happen. Under this legislation, the longtime head of the armed forces retired and his replacement was appointed by the democratically elected President. Crimes by military personnel against civilians must now be heard in civilian courts. The military's budget and finances are now subject to civilian oversight. And the old politically charged name -- Sandinista Popular Army -- is now a relic of the past.

Two months ago, the National Democratic Institute (NDI), in cooperation with the Nicaragua National Assembly and a new private sector civil-military affairs think tank (Center for National Strategic Studies, CEEN), brought together an impressive array of civilian and military leaders and members of civil society to discuss issues relating to the role of the military in a democracy. We are under no illusions that the new Army of Nicaragua has been brought fully under civilian control and direction -- but we are seeing the first substantive steps in a process which is pointing in the right direction.

The constitutional reform debate that convulsed Nicaraguan politics for nine months in 1994-95 resulted in a major shift of power from the traditionally dominant executive to the legislative branch. Executive dominance was a legacy of the 1987 Sandinista Constitution and the previous almost 50 years of Somoza family dictatorship. Throughout the extended national debate, the military, frequently a power broker in Latin American political disputes and always the dominant force in Nicaragua, remained a neutral bystander. All Nicaraguans can take pride that this contentious issue was resolved by the Nicaraguans themselves, peaceably, through tough political negotiation and compromise by the civilian political leadership playing by the rules of the democratic game.

The last major armed Resistance organization was demobilized in early 1994 and has become a successful cattle and coffee cooperative in the Quilali area. The Government and military handled that problem particularly well. In fact, a recent CIAV report points to a dramatic reduction in politically motivated violence, especially by Sandinista military, police and paramilitary groups that were linked to most human rights abuses against ex-Resistance members just a few years ago. Unfortunately, the report also points to the continued plague of criminal violence and general lawlessness in many remote rural areas of the country, where there is deep poverty and where civilian authority is weak or nonexistent.

The Supreme Court, expanded as a result of constitutional reforms earlier this year, is a more balanced, less politicized institution, with 12 members and welcome new blood and with a new internal organization. Two women now serve as justices.

A new five member Supreme Electoral Council -- a coequal branch of the Nicaraguan Government -- was elected by the National Assembly this past June. Like the Supreme Court, the new Council is a politically diverse body and enjoys broad support. It will have the daunting task of organizing and overseeing the 1996 national elections.

The Tripartite Commission has issued four reports since 1993, detailing 83 human rights cases involving the deaths of 161 former Resistance members and other ex-combatants. The record of implementation of recommendations by the Commission for remedial action and follow-up by the Government or security forces remains poor and unacceptable. The Government, working constructively with the new Army commander, has now submitted all cases investigated or tried by the military justice system to the civilian Supreme Court for review. The Catholic Church and CIAV, both of which sit on the Tripartite Commission, have welcomed the Court review as a step toward possible resolution of these long-neglected cases. The U.S. Government and the entire human rights community in Nicaragua is waiting to see impunity ended and justice served.

The Nicaraguan police are evolving into a more professional law enforcement institution. Whereas two years ago they hesitated to confront militant Sandinista labor protests or land seizures, today the police act with greater responsibility, firmness, and even-handedness to uphold law and order. Their cooperation with the U.S. Drug Enforcement Administration during this period in the interdiction of illegal narcotics being transshipped across Nicaraguan territory has been promising, notwithstanding their overall lack of training and resources for modern police work. Public respect is beginning to follow; the Nicaraguan AmCham chapter recently established an Association of Friends of the Police and a fund, managed by the Chamber, to support special police projects.

An independent Comptroller General, highly respected across political lines, is hard at work helping to ensure transparency in all government financed transactions. Its reports, under the reformed constitution, are now made available to the legislative branch, which has established its own commission to look into official corruption, headed by one of Nicaragua's most respected legislators, Myriam Arguello of the Conservative Popular Alliance.

Elections on the Atlantic Coast in February 1994 were declared free and fair by a wide range of foreign observers, including a delegation organized by the International Republican Institute.

Efforts of the Chamorro Government to establish a sound macroeconomic framework are beginning to bear fruit. Led by strong growth in the agricultural sector, the economy grew by 3.2

percent in 1994 -- the first economic growth in more than a decade. This year, the economy expects growth in the 4 percent range, and prospects for next year are equally positive. Today, in Managua, it is possible to see the face of change. There are 11 private banks. New businesses are opening. We see Nicaraguans beginning to have confidence in their future.

The Nicaraguan Government has made progress in resolving the enormous problem created during Sandinista rule by the uncompensated confiscation of thousands of properties. When Amb. Watson last testified before this subcommittee, only 119 American citizen claims had been resolved. Over the past two years the Nicaraguan Government has taken steps to improve the rate of claims resolution, including enacting property laws, streamlining the administrative claims system and strengthening the judiciary. As of last October 1, a total of 637 American citizen claims have been resolved, 428 of them in the previous twelve months.

The Administration believes that these tangible and positive results can be attributed in part to its policy of active engagement in Nicaragua. While the Nicaraguan Government's actions over the last two years benefitted claimants of all nationalities, we naturally have a particular interest in U.S. national claims. This administration's policy is designed to ensure the prompt, equitable resolution of these claims while still furthering other important policy goals in Nicaragua. ((As you know, the Secretary of State last July signed a one-year waiver of the application of U.S. legislation which would have forced us to discontinue economic assistance to the government of Nicaragua. However, the Secretary of State also determined that the property resolution system now in place still does not meet international standards, which call for prompt, adequate and effective compensation if property cannot be returned. The Government of Nicaragua is on notice that they must make further improvements so as to meet these standards.)) Meanwhile our embassy in Managua continues to work with our Nicaraguan interlocutors and U.S. citizen claimants, on a case-by-case basis, to resolve the remaining 1101 claims rapidly and fairly, in accordance with U.S. and international law.

During the last two years, however, an additional 516 claims, many held by persons who have only very recently become U.S. nationals, have been filed with the Embassy. The embassy has actively sought to assist these claimants as well. Furthermore, we are deeply concerned because the pace of resolutions has fallen off in the last three months. The Nicaraguan Government has explained that it has focused its attention on the passage of a new property law formally settling issues of title and the privatization of the state-owned telephone company, TELCOR. They argue that the privatization is important to the property issue, since the proceeds are earmarked to support the property claims program and may provide a massive stimulus to claims resolution. Nonetheless, we have expressed our displeasure with the slowdown. We will continue to press for the resumption of large-scale claims resolutions, so the Nicaraguan government can meet its own goal to resolve all claims by the end of the Chamorro administration.

Of particular note is the fact that the property problem has become internationalized and all foreign donors now press the Nicaraguan Government to resolve the property issue expeditiously. The UNDP sponsored a streamlined "one-stop shop" to deal with property claims. These donors, like the Administration, realize the importance of active engagement with Nicaragua on the property issue.

U.S. Support for Nicaragua's Transition

The overreaching theme of U.S. policy in Nicaragua is support for the democratic process, for the strengthening of democratic institutions and civil society, and for President Chamorro as the democratically elected transition president of Nicaragua. Our policy can be summarized as support for a successful transition to a second democratically elected government to take office in January 1997. And a democratic Nicaragua, with a sound, growing free market economy is essential to a peaceful and stable Central America.

Our support has come in the tangible form of our assistance program. When we reopened the USAID assistance program in June 1990, we focused first on helping the newly elected Government to stabilize the economy and set the stage for growth by encouraging sound economic policies. Much of our assistance in the early years was for balance of payments support. I think most would agree that the stabilization goal has been achieved. Nicaragua has rediscovered "the market" in principle and in practice.

With economic stability now a fact, we have recast our assistance strategy to hone in on three main areas -- consolidating democracy; triggering economic recovery and sustainable development; and improving the health and well-being of Nicaragua's people and their environment. These programs will be described in further detail in USAID's testimony.

The Challenges Before Nicaragua

Are there still problems in Nicaragua? Sure there are, and they are formidable. Nicaragua's transition to a politically reconciled, fully democratic, free-market society is still in process. Finding the solutions to the whole range of nagging problems is a tough task, but Nicaraguans have shown that they can work out the answers themselves within the democratic framework they have created. While the U.S. and other sympathetic donors can help, no foreign friends can resolve these problems. Only the Nicaraguans can do that -- through the political will that only they can, and must, supply. That is a message that we have made amply clear in our diplomacy -- and that Nicaraguans welcome.

Let me mention some of the areas where political will is on the line:

1) The Property Problem

The problem of property must be settled for the good of Nicaragua and for the future of our bilateral relations. Nicaragua's economic growth and political stability depend on it. The only truly effective engine for economic growth in Nicaragua remains foreign investment, which will not occur in a sufficient amount until Nicaragua can protect property rights and establish clear title to property. Understanding this, the World Bank Consultative Group for Nicaragua, meeting in Paris in June 1994, "urged the Government to exert all efforts to resolve outstanding property claims and to regularize land tenure rights, as essential to restoring investor confidence."

In addition, unresolved property claims stand in the way of true national reconciliation. Until Nicaraguans believe their government has done all it can to redress the wrongs created by the Sandinista confiscations, Nicaragua will not have rebuilt adequate foundations for a strong democratic political community. Moreover, the Administration believes its resolution of U.S. citizen claims remains tremendously important to Nicaragua's bilateral relations with the United States. The United States has a strong and legitimate interest in seeing the resolution of claims pending before the Nicaraguan Government involving persons who are now U.S. citizens.

The Nicaraguan government is now debating long-awaited legislation to privatize the state telecommunications agency, TELCOR, the proceeds of which will be used primarily to support the compensation bond system. These are controversial measures, both inside and outside Nicaragua, but they are being supported by substantial majorities representing a broad spectrum of Nicaraguan political opinion. We will have to see over time whether in fact these new laws move the country toward a definitive -- and just -- solution to the property issue.

All branches of government and all members of the Nicaraguan political community take responsibility for solving the problem. Finally, the Nicaraguan Government must understand, as I believe it does, that the U.S. Government will continue to insist upon the rapid and equitable resolution of U.S. citizen claims.

2) Human Rights:

Political will is also needed in the area of human rights. The recommendations of the Tripartite Commission must be implemented, and other prominent outstanding human rights cases -- including the murders of Jean Paul Genie, Arges Sequeira, and Enrique Bermudez, as well as the deaths at "La Maranosa" -- must be resolved with justice and dispatch. All of these cases languish

in the hands of the judiciary -- except the Bermudez case, which will require investigation from scratch. These are cases where justice has been delayed; therefore justice has been denied. Moving them toward resolution demands concerted effort by the judiciary, the executive, and civil society. Without a rule of law that applies to civilian and military alike, no democracy can remain secure.

3) Economic Policy:

The Chamorro Government and its successor will need to stay the course economically, although this is undoubtedly tough medicine to swallow in the short run. Because of burgeoning population growth, it will take time for increases in GDP to be reflected in increases in per capita incomes. Unemployment -- and underemployment -- are significant problems. Together, the official figures run around 50 percent. In a recent poll, Nicaraguans rated jobs as their primary concern by a wide margin. In June 1994, Nicaragua signed a three-year Enhanced Structural Adjustment Facility with the IMF. The Government, however, missed a number of key targets in 1995 and will end the year in a bridge program designed to get the ESAF back on track and set the stage for continued support from international financial institutions. If the Government's resolve wavers, all Nicaraguans will lose, and our own investment in Nicaragua's future will be at risk.

4) Free and Fair Elections:

Nicaragua's most immediate major challenge will be the 1996 national elections, which are scheduled for two rounds in the fall. For the first time, Nicaraguans will elect mayors directly and most legislators regionally rather than nationally -- thereby strengthening the principle of local representation and accountability. All Nicaraguans -- the political parties and candidates from one end of the spectrum to the other, the armed forces, and civil society itself -- will have the opportunity to shape Nicaragua's destiny by their conduct during the campaign and by their votes at the polls. Nicaraguans love elections. The challenge to the political leadership is a non-polarized campaign and mutual respect among the contending parties and candidates.

Nicaraguans can take a giant step toward putting an end to the polarization, violence, and fears of the past and toward reinforcing the dialogue, reconciliation, and hope that the Chamorro Government has sought to nurture during its tenure. Through dialogue with Nicaraguans at all levels and judicious applications of assistance, U.S. policy is aimed at helping Nicaragua, and the Chamorro Government, to complete this period of transition -- with the inauguration of a second democratically elected Government in January 1997. Let me repeat: we believe -- and hope the Nicaraguan Government agrees -- that CIAV has an indispensable role to play as an credible international human rights monitor during this all-important chapter in Nicaraguan history. The challenge, as always, is for the Nicaraguans themselves to assume responsibility for making these decisions and carrying them out.

Staying the Course

Before concluding, I would like to share with you the deep concern of this Administration about continuing adequate U.S. support for Nicaragua, and indeed for Central America and Latin America in general. What happens to our neighbors in the Hemisphere truly matters to the American people -- but we seem to appreciate it most vividly only when things go wrong. What we seek in the region is the defense of peace, democracy and broad-based prosperity because they build cooperation on issues which directly affect our own citizens -- whether on narcotics trafficking, orderly migration flows, economic integration which creates jobs and wealth for Americans, or preservation of regional stability that is indispensable to our own national security.

In Nicaragua, the challenge to the United States is to stay engaged -- along with other donors -- in order to underwrite a peaceful transition in early 1997 to a second, democratically elected Government, to keep working on strengthening fledgling democratic institutions, and to help the economy reach a real takeoff.

I very much appreciate the Subcommittee's interest in fostering this public discussion of Nicaraguan issues, and we look forward to working with you to help Nicaraguans reach their goal of democracy and prosperity.

I will be pleased to answer any questions Members of the Subcommittee may have.

Statement of the Honorable Mark L. Schneider
 Assistant Administrator for Latin America and the Caribbean
 U.S. Agency for International Development
 before the
 Subcommittee on Western Hemisphere Affairs
 Committee on International Relations
 U.S. House of Representatives
 November 8, 1995

Introduction

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before the Subcommittee this morning to discuss the efforts of the U.S. government to support a successful economic and democratic transition in Nicaragua.

The Committee's focus this morning is appropriate and welcome for it accurately reflects the focus of Administration policy in Nicaragua and the hemisphere. Our approach in Nicaragua is consonant with, and fully supportive of, the policy declarations of last year's Summit of the Americas in Miami. The 34 elected Heads of State declared that "representative democracy is indispensable for the stability, peace and development of the region."

President Clinton has made the goal of strengthening democracy a cornerstone of this Administration's foreign policy. In the case of Nicaragua, the United States has a strong interest in seeing that nation complete the three transitions it began in 1990: a transition from war to peace; from a centralized command economy to a free market; and from dictatorship to democracy.

Success in Nicaragua will bring prosperity to Central America's poorest country, will help it reintegrate into the regional economy and avoid any unraveling of the peace process in a region still coping with a history of conflict and injustice.

Consolidation of the democratic and economic transitions in Nicaragua will only be sustained by greater political participation, compromise and transparency; broad-based economic growth that generates jobs and increases productivity; and social investment, particularly in health and education. Investment in people is essential to produce a more literate and healthier population, capable of sustaining economic growth and building democracy.

U.S. assistance plays a pivotal role in consolidating these transitions and in advancing U.S. foreign policy objectives in Nicaragua. The year ahead -- leading up to national elections and a new government -- will be critical.

The Transition to Date

Nicaraguans voted for a sea change in 1990 -- a change that would lead to reduced polarization, to strengthening the rule of law, to protection of individual human rights and property rights, to increased civilian control over the military, and to a stronger role for civil society in a traditionally authoritarian culture.

The magnitude of the democratic challenge should be clear. The election of President Chamorro was the first free presidential election in more than a century and probably the most free and most participatory election in Nicaraguan history. But Nicaragua's democracy is still new. During the past five years, Nicaraguans have charted a firm course on the democratic path, but Nicaragua's democratic institutions need to be strengthened and democratic practices deepened. As Nicaraguans struggle to address these challenges, our expectations should be tempered by that historical perspective.

When USAID returned to Nicaragua in June 1990, we focused on helping the new democratically-elected Government of Nicaragua to carry out its mandate of political change and economic stabilization. Nearly a quarter of our assistance in the early years went to help the government reconcile and reintegrate ex-combatants into the economy and set up democratic institutions. Half of our assistance went to economic policy reform programs which set the stage for market-led growth and financed crucial imports needed by the private sector. Our assistance helped to stabilize the currency, create a private banking system, and pay off arrears so the international financial institutions could resume operations.

The economic stabilization goal has been achieved. The Chamorro Government has reduced inflation from 13,000% to 12%. The economy grew at a rate of 3.2% in 1994 -- the first GDP growth rate in a decade. Exports increased 29%, and non-traditional exports soared 57%. Agriculture grew at 7% despite a serious drought.

At the same time, we supported the disarmament/resettlement program of the OAS, financed critically-needed medical supplies and vaccinations for children, helped create a thriving government entity -- FISE -- to provide emergency employment generation programs in the countryside and paid for new, textbooks for Nicaragua's school system. Where children used to learn mathematics by counting grenades, now, they're learning to count with mangos. We continue to support decentralized health services and education so that the resources go directly to the local level where communities can make their own spending decisions.

Our assistance strategy today remains concentrated on three priorities: consolidating democracy; accelerating economic recovery and sustainable development; and improving the health and well-being of Nicaragua's people and their environment.

The Road Ahead

The Government of Nicaragua has made real progress in building an inclusive, pluralistic democratic society. Nicaragua is at peace. Nicaraguans are resolving their differences. Public institutions are functioning democratically. Civil society is increasingly holding government accountable. These positive trends are helping consolidate a still fragile democratic system. I would like to discuss these trends in some detail and at the same time, indicate those areas where the job is not finished.

On the democracy front, we are promoting more political participation, compromise and transparency:

- * We are helping the newly-elected, independent and generally respected Supreme Electoral Council (CSE) prepare a free, fair and transparent 1996 national election. That includes assistance for voter registration; updating what will become the permanent voter list; pollworker training and bolstering the professional capability of the Council.
- USAID also will assist with a voter education campaign to reach the entire population and emphasize the importance and integrity of voting. We also will fund five U.S.-based NGOs to field election observation teams to validate the process.
- * Through the International Republican Institute (IRI), we support Grupo Fundemos, a non-partisan, non-profit think tank that promotes vigorous debates over key issues such as the property problem, political compromise and consensus, transparent elections and the mechanics of a successful democratic transition.
 - * We have just initiated a program to help mayors and municipalities focus on how to better generate and manage resources at the local level in response to their constituent needs. We will soon begin a small grants program in 12-15 municipalities, where communities identify their own needs, put up a portion of local funds and take responsibility for the sound management and financial accountability of these resources.
 - * We support the human rights monitoring activities of the OAS in Nicaragua which, since 1990, has resettled 120,000 ex-Resistance members and their families. It now deals with human rights abuses involving all those directly affected by the civil war and is establishing a local human rights monitoring network. OAS/CIAV has played a fundamental role in monitoring the implementation of the peace accord and it has offered to mediate disputes which could have flared into new conflict.

- * We have provided critical support to two local democratic human rights organizations (ANPDH and CPDH) and have encouraged coordinated work with CIAV and other local groups.
- * We helped to establish a judicial training center which will serve as the heart of Nicaragua's effort to professionalize its judicial branch. Already all judicial branch personnel, including 2,411 court system staff, 149 local judges, 49 district judges, 72 prosecutors, and over 300 administrators have received basic training which has helped to improve the functioning of the judicial system.
- * The National Democratic Institute (NDI), with our funding, has conducted intensive seminars for top political, military and civic leaders to grapple with how to establish effective civilian control of the military. This dialogue facilitated passage of the Military Reform Code with key reforms to solidify democratic practices, including provisions for civilian oversight of the military budget, civilian trials for members of the military accused of crimes against civilians, and term limits for the military leadership.

In addition, a multi-partisan Center for Strategic Studies, with membership spanning the ideological spectrum and including Nicaraguan business leaders, was established with USAID support to stimulate and debate and define public policy relating to civil-military relations.

- * The American Federation of Teachers (AFT) has trained more than 1,000 civics teachers nationwide which is helping thousands of first time, 16-year-old voters better grasp their rights and responsibilities as voters.
- * Through Florida International University, we have trained Nicaraguan journalists to be more professional and objective in their reporting.
- * We have provided technical assistance and equipment to the National Assembly to improve the transparency of the voting process and to facilitate the development and tracking of legislation. After a 16-month hiatus, the Assembly has become a center of the country's political life. When the Constitutional crisis threatened to bring the country to a standstill, all sides stepped back and negotiated a solution which resulted in fundamental constitutional reform that will shift greater power to the legislative branch of government.
- * As part of a multi-donor effort, we are providing assistance to the Government and the Comptroller General to strengthen accountability and oversight of public finances.

These activities all seek to consolidate and to deepen the workings of Nicaragua's democratic institutions. More must be done to address high profile human rights cases and to move more quickly in promoting the kind of systemic changes needed to strengthen the

justice system -- particularly professionalization of the judiciary and the police -- so that the basic human rights of all Nicaraguans are protected. The overriding challenge, however, will be to guarantee a fair, free and open political campaign for the presidency next year and both the legitimacy of and respect for the election results.

On the economic front, we are continuing to help promote discussion and dialogue on the importance of Nicaragua maintaining its course of economic reform. Our direct support goes to supporting small farmer efforts to diversify and market their production, to making markets work better, to expanding microenterprises and to promoting environmental protection and the rational use of natural resources. Let me share with you a few tangible results of this effort:

- * U.S. PVOs such as FINCA, Accion International, Opportunity International and Catholic Relief Services, are helping thousands of poor microentrepreneurs around the country -- mostly single mothers who are heads of households -- to increase their incomes through securing previously unobtainable credit.

For example, one community bank member, a poor seamstress in Managua who started off renting one sewing machine and could barely make ends meet, today owns four sewing machines, employs four workers, has \$500 saved and a regular stream of income that lets her provide for her family with confidence and pride -- all thanks to five loans of \$100 each which she paid back in full and on time after four months.

These programs will make loans to approximately 44,000 microentrepreneurs, most of them women, and the overall program will benefit 250,000 poor Nicaraguans.

- * Working with the Non-Traditional Agricultural Producers Association, we are assisting in production and marketing of sweet onions, baby corn and squash. The value of non-traditional agricultural exports has risen from \$2 million in 1990 to \$60 million in 1994, and 50% growth is projected for this year. Onion growers directly benefiting from our assistance have seen their exports increase from \$200,000 to \$4 million a year. And, 2,250 new jobs, many filled by women, have been created.
- * We are helping thousands of small-to-medium-sized farmers boost production -- and profits-- in raising livestock, and producing coffee and basic grains.
- * We are working to reduce the rate of deforestation, control pesticides that destroy water supplies and help the Government manage key protected areas such as the Bosawas (Central America's largest untouched tropical forest), the Miskito Cays (one of the richest areas of biodiversity in the Caribbean) and the Volcan Masaya National Park.
- * The Government of Nicaragua has privatized over 350 state-owned companies. USAID has assisted in five major privatizations, working through the Price

Waterhouse International Privatization Group. The next privatization involving TELCOR, the state-run telephone company, is currently under review by the National Assembly.

- * With our help, some 11,000 person-years (over 130,000 person-months) of temporary employment have been generated in small-scale construction projects benefitting the poorest Nicaraguans around the country.
- * USAID is investing in Nicaragua's youth, with more than 285 Nicaraguans attending U.S. community colleges on technical school scholarships and 33 studying for masters degrees at U.S. universities.

Many problems remain. Fifty percent of Nicaraguans are poor and nearly 75% of those in extreme poverty remain in rural communities. Nicaragua is still struggling to return to the economic status it had in the 1960s. Today it ranks 14th on the list of the most food insecure countries in the world. Population growth, unemployment, lagging private sector investment, lack of progress in privatization and insecurity of property rights put a tremendous drag on the economy. If left unaddressed, these problems could reverse the recent positive trends.

Our strategy has been to link our economic recovery and employment programs, target our assistance on those sectors that are most promising (agriculture and non-traditional exports), and try to improve the investment climate by facilitating resolution of the property issue. USAID provided technical assistance and equipment for the one-stop Property Office and expert advice on how to increase the value of compensation bonds. Without a rapid resolution of this issue private investment will continue to lag.

I led the Consultative Group delegation last June where the international donor community reviewed Nicaragua's economic conditions, its programs and development challenges. One thing that has become clear is that the property problem has become internationalized. All foreign donors are putting pressure on Nicaragua to resolve the issue so that private investment can resume. Private investment is the only sustainable way that Nicaragua can create the jobs and business opportunities to overcome the country's poverty.

On the social front, our assistance strategy focuses on improving the education and health of Nicaraguans. I am proud of our support for Nicaraguan efforts to decentralize primary education and primary health care -- bringing these basic services closer to the people whose lives literally depend on them.

Here are just a few examples of USAID's work in human capital development:

- * We are cooperating with the Ministry of Health, through the local health districts of four departments where almost half of all Nicaraguan live, to improve maternal and child health services.

- * In 1990, there were 609 deaths attributable to measles. In 1994, there were three. With our help and that of other donors, the immunization coverage for young children increased from 75% several years back to 88% last year. Unfortunately, 10% of children still die from diseases that can be prevented through immunization;
- * Ten U.S. PVOs are carrying out community-based child survival programs around the country providing assistance to more than 350,000 women and children. From 1990 to 1995, infant mortality dropped from 72 deaths per 1000 to 58 per 1000.
- * We are supporting the Ministry of Education's far-reaching efforts to improve primary education and to decentralize education to permit local communities to make their own decisions on resources, teachers and administration;
- * We purchased over 12 million new non-ideological textbooks for primary and secondary schools in mathematics, reading, writing, history, social and physical sciences and language arts;
- * Over 3,000 teachers have now received practical training at improving the quality of education at the primary level;
- * Voluntary family planning services are expanding into rural underserved areas.

We think that our assistance program has enjoyed a significant degree of success. However, there is still so much to do in a country that remains one of the poorest in the hemisphere. With GDP per capita of \$425, Nicaragua remains second only to Haiti in terms of poverty in the region. While access to primary education is not a problem in Nicaragua, the concern is over quality and efficiency of education in a system where only one in four students complete primary school and, on average, it takes 10 years to do so. USAID's strategy will be to focus on improving the quality of education through teacher training, curriculum reform, new textbooks and teaching materials and support for decentralization of the Ministry of Education. In health, our goal will be to support the multi-donor effort to decentralize the Ministry of Health's operations. USAID's assistance will focus on maternal and child health programs and work in those communities with the most acute need.

Conclusion

The encouragement of dialogue and reconciliation coupled with the belief that Nicaraguans must shape their own destiny -- is unanimously endorsed by Republicans and Democrats alike. The same is true of concerned NGOs. All are anxious to see greater progress in Nicaragua on a set of core concerns -- human rights, civil/military relations, security, rule of law, property rights, economic growth, employment, poverty reduction and greater access to social services.

U.S. and international assistance has helped turn the Nicaraguan economy around. But the benefits are just beginning to be felt by the average citizen. Reform is painful and the days of massive assistance programs are over, not to return.

Investment is the key to cutting into the massive unemployment and underemployment that condemns half of their people to life below the poverty line. Of course, how far and how fast they move becomes an issue of "political will" that Nicaraguans, and only Nicaraguans, can resolve.

The United States has encouraged the efforts of Nicaraguans by: providing a consistent, clear policy message focused on the democratic process; by doing our best to continue bilateral and multilateral donor support; and by insisting upon tangible, measurable progress in all areas of concern to us. But in the end, it is Nicaraguans who must craft their own solutions. The good news is that they are doing just that.

In Nicaragua, America's challenge is to stay engaged and support a successful transition to a second, democratically-elected government while supporting democratic consolidation. We also should continue efforts to help the economy produce more jobs, a better standard of life for its citizens and reduced poverty. This will secure the stability of a country whose destiny is historically linked with ours.

We have successfully adjusted our policies in Central America in general, and in Nicaragua in particular, to the post-Cold War realities of the 1990s. We are carrying out policies in Nicaragua that have broad bipartisan support, that reflect our values, and that are delivering measurable, positive results in terms of basic U.S. interests. We need sufficient resources to see this process through. Just as the Nicaraguans must have the political will to make their democratic transition and national reconciliation succeed, we Americans need the political will to stay the course and support positive change. I believe that we will because it is so clearly in our interest to do so.

Testimony of

**Peter R. Sengelmann
Director**

**The Committee to Recover Confiscated American
Properties in Nicaragua**

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**before the
House Committee on International Relations
Western Hemisphere Subcommittee**

November 8, 1995

“An Evaluation of Democracy in Nicaragua”

Testimony of Peter Sengelmann
 Director
 The Committee to Recover Confiscated
 American Properties in Nicaragua

November 8, 1995

PERSONAL FACTS

- Name: Peter R. Sengelmann
- Position: Director of the Committee to Recover Confiscated American Properties in Nicaragua
- Biography: A U.S. Citizen and businessman who has lived half of his life in Nicaragua and who wants to see that country truly restored economically and politically.

SUMMARY OF THE NICARAGUAN SITUATION

- Limited progress on return of property. **At this rate it will take 15 years to resolve all American Citizens' Claims.** Most settled claims have not been through the return of property but settled in “compensation bonds” which are worth less than 20 cents on the dollar.
- There is a proposed law under discussion in the Nicaraguan National Assembly which will legalize the Sandinista confiscations. Some jurists have expressed the opinion that, since it is retroactive, it is unconstitutional.
- Although the Nicaraguan economy finally has finally shown a slight expansion, unemployment continues at about 50% as the lack of resolution of the property issue continues to stifle new investment.
- Even in the few cases where property has been returned to the legitimate owner, it has been difficult or impossible for the owner to take possession of the property or use it.
- There has been continued impunity for the assassins of Arges Sequeira, Jean Paul Genie, Enrique Bermudez, and hundreds of members of the Nicaraguan Resistance.

STATUS OF CONFISCATED PROPERTY IN NICARAGUA

- Status of American Citizen Claims
 - Of 1692 claims (from July 31, 1995 US Embassy information), 626 (37%) have been "fully or substantially" resolved in 5 years. At this rate, it will take 15 years to solve all pending cases without taking into account additional claims which are submitted daily.
 - According to information provided to us by claimants, many cases reported as "substantially" resolved are not totally resolved, but are apparently close to being resolved, assuming that the Nicaraguan Government will comply with its promises and commitments better than it has in the past.
 - Almost two thirds of the "resolved" cases have been "resolved" with bonds which are almost worthless (presently worth 20 cents on the dollar).
- Status of Nicaraguan Citizens' Claims
 - There are many more claims, estimated to be in the range of 25,000.
 - Relatively few claims have been settled and fewer properties still returned to legitimate owners.
- Most confiscated urban houses and properties have not been returned. Here are some examples:
 - The house of Nestor Teran, an American citizen, is occupied by the Cuban Embassy, which refuses to relinquish it to him even though title to the property is in his name.
 - Enrique Pereira, an American citizen, was stopped by police from fencing a property which is legally his, because the usurper refused to let him have possession even though title is in Mr. Pereira's name. Criminal charges were filed against Mr. Pereira for trying to fence his own land.
 - Tom and Klaus Sengermann, U.S. citizens, have received rulings in their favor from the OOT (the office reviewing confiscations) but are unable to get final resolution of their cases and the usurpers refuse to relinquish possession of their homes.

THE ECONOMIC CONSEQUENCES OF LACK OF A JUST AND TIMELY RESOLUTION OF CONFISCATION CLAIMS

- Much of the agricultural land of Nicaragua is lying fallow or is underutilized. Some properties have been returned, but the legitimate owners have not been able to utilize them. Here are two examples:

- The case of the Sengelmann family farm - It was originally confiscated in 1979. It was partially returned (80%) at the end of 1994 but without any of the farm equipment and machinery, cattle or rice inventory. Today about 15% is being farmed; the rest is fallow. Periodically, Sandinista labor unions and "agricultural cooperatives" try to seize some of the land. Investment is not being made in the farm because there is no personal security nor confidence that any new investment will not be again stolen.
- The case of Jose Maria Moncada, a U.S. citizen - Mr. Moncada's claim for his confiscated farm was processed by the OOT and the farm returned to him on October 19, 1995 by court order. His two sons took possession of the property. On October 26, 1995 the police, acting in collusion with the previous usurper, arrested one of the sons and held him in prison for three days, only releasing him after the intervention by the Nicaraguan Human Rights Commission. Since then he has received death threats from Porfirio Molina, the Sandinista usurper, and the police who had arrested him.
- In general, confiscated properties have not been returned. Some of the legitimate owners have been offered bonds as compensation. Not only are the bonds not prompt, adequate and effective compensation, but also the country is deprived of capable entrepreneurs whose knowledge in the particular businesses made the properties productive in the first place.

OTHER ASPECTS OF THE NICARAGUAN ECONOMY

- This year there has been some improvement and slight growth in the economy; however, this can be attributed more to foreign aid and the remittances of displaced Nicaraguans living outside Nicaragua than to deep structural changes.
- There has been virtually no investment, either to replace stolen equipment, or to allow production in farms and factories.
- Nicaraguan exports have risen slightly, to about half its imports.
- Nicaragua continues to receive the highest per capita levels of foreign aid in the world, second only to Israel.
- From a prosperous country in the seventies, Nicaragua now is at the economic level of Haiti and Cuba, in spite of abundant natural resources, including the largest amount of arable land in Central America.
- During the 15 years of Sandinista rule virtually no new housing was built (in part accounting for the popularity of the piñata allowing Sandinista favorites to keep stolen house). Today little

housing is being built due to lack of confidence in the sanctity of property rights.

PROPOSED LAWS IN NICARAGUA FOR RESOLVING CONFISCATION CLAIMS

- The Nicaraguan Assembly is presently debating a new property law. The net effect of the law would be to legalize the confiscation of properties and allow the usurpers to retain that which they have stolen. It is unjust both to the individual victims and to the country. Our Committee, as well as the Permanent Commission on Human Rights and the National Association of Confiscated Nicaraguans have protested this new law as unnecessary and detrimental to a fair resolution of the confiscation issue.
- The National Assembly is debating the privatization of the telephone company (Telcor). The government has promised to international entities that it will use the proceeds of the sale to back the bonds. Our group supports this concept, but we are concerned that much of the proceeds will be funneled off by the Sandinistas as "loans" for their "small businesses": loans which will never be repaid.
- In July of 1995 President Carter headed a symposium in Nicaragua where all parties discussed the property problem. Unfortunately, in the published resolution of the meeting, and in subsequent meetings, the victims of the confiscations were ignored.
- Based in part on the recommendations of President Carter, the Clinton administration exercised a waiver included in the State Department Authorization Act to permit continued aid to Nicaragua even though there was not enough progress toward the resolution of property claims. Historically, there has been progress towards resolving confiscation claims only when there is an impending deadline for disbursement of US or multilateral aid or loans.

RECOMMENDATIONS

- Require the State Department and INS to deny entry into the United States to any persons who have confiscated or benefited, directly or indirectly, from the confiscation of the property of a US citizen. Extend the prohibition to include members of the individual's immediate family.
- Deny aid to Nicaragua unless substantial progress is made before the end of the current administration. It is our position that not enough progress has been made.
- Vote against loans to Nicaragua through multilateral lending institutions for the same reasons expressed above.

- Send sufficient observers and observe carefully the next elections in Nicaragua to ensure free and fair elections. There is talk of a conspiracy of members (or ex-members) of the current Government and the two Sandinista factions to stack the cards against Dr. Arnaldo Aleman, the current front-runner in the polls.

CONCLUSIONS

- Nicaragua is still in crisis in spite of the fact that it is no longer on the front pages of the newspapers in the US. The fair resolution of the property issue is the one of the most important issues still pending in order to end this crisis and restore Nicaragua economically and politically to a position where it will no longer be entirely dependent on foreign aid.

Dr. Michael A. Magnoli
President
University of Mobile
Mobile, Alabama

, November 8, 1995

House Committee on International Relations
Subcommittee on Western Hemisphere
Washington, D.C. 20515

Mr. Chairman, it is a privilege to address the Subcommittee this morning on a matter that all of us consider to be very important - the present status and future promise of the republic of Nicaragua.

I am the President of the University of Mobile in Mobile, Alabama, which has a fully accredited branch campus located in San Marcos, Nicaragua, with currently over 400 students enrolled.

In 1992, when I first traveled to Nicaragua to consider opening this branch campus, I found a country agonizing over the self-recognized need for intense transformation and struggling to find direction when the world stage would allow almost no margin for error. It is easy for us to sit in Washington and criticize various segments of the Nicaraguan community or to second guess the actions that were taken to address specific issues. But I challenge you to ask yourself how you would have engineered economic stability when almost no one was willing to make an investment in Nicaragua; How you would have made the transition from a military-dominated society to a society of civilian control when the military had controlled the landscape for twelve long years and still held the capability of disrupting order at any time; or How you would have resolved highly charged and extremely convoluted property rights disputes created by the former government. More importantly, how would you have helped a people fragmented by the brutality of war and totally confused by the diabolically opposed philosophies of Marxism and democracy believe that tomorrow would be better than today?

That was the milieu I encountered in May 1992 when I was invited by a group of Nicaraguan business people to consider the possibility of developing a branch campus of our institution in that country. Although the climate of change at that time was disconcerting, we looked at the horizon and saw a nation that would find a way to heal itself, an extremely patriotic people who wanted a better life for themselves and their children, and a nation of tremendous human and natural resources. After months of studies and negotiations, the government of Nicaragua made an existing campus in the city of San Marcos available to the University of Mobile. The University's trustees voted unanimously to move forward with developing a fully operational branch that would stress academic excellence and provide the next generation of Nicaraguans, from all walks of life, with the prerequisite professional skills to successfully meet the challenges they would face. Although this objective was important, the University has been motivated by even more paramount objectives to help bring long term stability to that country and to the region by uniting various segments of the society in common goals, to promote the ideals of democracy, to encourage understanding of the benefits of free enterprise and open economies.

In August, 1993, we opened the University of Mobile Latin American branch campus in San Marcos, Nicaragua with 96 freshmen students and 7 faculty. We are now in our third year of operation and have 396 freshman, sophomore and junior level students intensely involved in academic studies on that campus. Next year we will add senior level studies and have approximately 600 students enrolled. All programs carry the accreditation of the main campus and their degrees are granted by the main campus.

The University of Mobile Latin American branch campus has already been a major success. All classes are taught in English. In addition to the 400 people enrolled in the academic program, as many as 350 people are enrolled in English language programs at any point in time. This year students can select over 300 courses of study from international business to marine science.

By 1997, the University of Mobile Latin American branch campus will be graduating 125-150 people per year with excellent professional credentials at the baccalaureate level and full use of the English language. These men and women will represent the true promise of Nicaragua because they will become the future leaders in education, government, health care, and business.

I am pleased to inform you that the University has been embraced by all segments of the Nicaraguan community. President Violetta Barrios de Chamorro and her staff made the campus in San Marcos available to the University when all we could offer were promises and a dream. Now that the promises have become realities, she recently signed a proclamation deeding the campus to the University to provide us with permanence and stability. This illustrates the Chamorro government's desire to create a well-educated professional element that would provide the country with the skills necessary to support long-term economic growth and social stability.

The elected mayor of San Marcos, Mr. Ernesto Ortega, and the elected city council have worked tirelessly to make this project a success because they are totally dedicated to helping their people prepare for a better future. In fact, the mayor was the one who originally conceived the idea of a U.S.-accredited university in Nicaragua.

The business sector of Nicaragua has also embraced the University. This is most evident by the caliber of men and women who serve on the Board of Directors of the Latin American branch campus. The Chairman of that Board is Mr. Alberto McGregor, a highly respected member of the Nicaraguan business sector. Others on the Board are leaders in their chosen professions and captains of industry.

It is imperative that I let you know how grateful we are to U.S. Agency for International Development (AID) for its commitment to Nicaragua through the University of Mobile. Last year, AID established a scholarship fund to help Nicaraguan citizens who meet certain criteria obtain undergraduate education at the University of Mobile Latin American branch campus. The value of such scholarships can never be underestimated because they are truly helping extremely promising young men and women obtain an education so they can contribute to the long-term economic improvement of the country. I might add that we are educating these men and women in Nicaragua for less than one-half of the cost that would be incurred if they were being brought to the United States to attend a state-side university.

These are men and women who otherwise would not have the financial means to attend the University and whose human potential would be completely lost without this financial assistance from AID. This is genuine personification of the term "sustainable development" and a form of foreign assistance that provides immediate, measurable and accountable results. The University's books are open to AID for audit purposes at all times. The original grant of \$700,000 over two and one-half years (or approximately \$140,000 per semester) is designed to help forty-three students who were originally admitted to the program. We are hopeful that the success already experienced by this program will encourage even greater support in the future that will allow the University to help talented students from disadvantaged families and ensure that the educational process never becomes elitist in nature.

The University of Mobile Latin American branch campus is now a reality in Nicaragua. It is providing a beacon of hope, a standard of excellence, a torch for democracy, and a bridge of friendship between Nicaragua and the United States. None of this would have happened if the University had not believed in the stability of Nicaragua, if there had been any questions about the security of personnel, or if we doubted the determination of the Nicaraguan people to face both their challenges and their opportunities with commitment and determination.

I say this to emphasize that even with the advances of the past five years, Nicaragua has some tremendous matters before it that will demand the best of its people and its leadership. It is incumbent on the University and the United States to recognize these challenges and be prepared to contribute as appropriate to assure stability and promote Nicaraguan national integrity.

First, we must have free elections leading to a peaceful transition between the Chamorro administration and its successor government. At this moment, there is every reason to believe that this transition will be relatively smooth regardless of who is elected. Parties on both extremes have either fragmented or moved closer to the center as they have faced the realities of the new world order. In addition, the people of Nicaragua recognize that the promises of extremist groups never materialized and that the hope for their future lies in the jobs that are created by peace and prosperity. Anything less than a free election process would disrupt the progress of peace and stability.

The United States has an obligation to help assure that the upcoming election process is fair and free of corruption. We should not, in any way, impose on the sovereignty of Nicaragua by encouraging or discouraging the candidacy of any individual or party. At one fateful moment in 1990, Nicaraguans were told that their country was making the immediate switch from a history of dictatorships and Marxism to a new era of democracy. Although such a transition cannot happen over night, it is remarkable how quickly Nicaragua has assimilated such concepts of democracy as open debate, respect for different opinions and acceptance of the will of the majority. The University is committed to helping this growth process continue.

During the past year, the University structured a lecture series on campus that attracted the major candidates for presidential office. These candidates had an opportunity to share their views on Nicaragua's future with future leaders. At the same time, they willingly opened themselves to intense scrutiny by our students who challenged their positions on many issues. Such a process of open dialogue was new to Nicaragua and was extremely well received. The University will continue to promote such activities that teach the process of give and take that is so critical if democracy is to flourish.

The second major challenge will continue to be the economy. Nicaragua witnessed a growth rate last year of 3.2% but obviously there is still much work to be done if the country is to be weaned from a total reliance on foreign assistance. While continuing to promote expansion of traditional crops such as coffee, the country must develop a greater spectrum of non-traditional exports. This is why the University of Mobile is expanding its curriculum to promote such programs as aquaculture, shrimp farming, and ornamental horticulture.

During the past three years, I have personally witnessed a tremendous revitalization of the economic infrastructure in Nicaragua. In 1992, there were very few signs of commerce throughout the country. Today, there are indications that people are once again becoming confident enough to invest in family businesses, farms and manufacturing facilities. In our specific case, the University has created over 200 permanent jobs that are probably feeding several hundred families. But the intermediate answer to Nicaragua's economic stability will be substantial foreign investment by the private sector.

The University took a leap of faith in 1993 when it invested \$2.5 million in the future of Nicaragua. Today, the University and the United States have an obligation to encourage institutions and businesses in this country and in other countries to invest in Nicaragua. Economic, political and social stability in Nicaragua and in that region is obviously in the best interest of the United States. The University plans to continue promoting investment in Nicaragua by creating seminars and conferences that will bring investors from the United States together with potential local business partners. Doors have already been opened in such areas as construction, fisheries, forestry and agriculture. In addition, we anticipate implementation of a number of certificate programs to train people for the growing tourist industry.

The third issue - that of human rights, is one of substantial interest to people in the United States. I am often asked if Nicaragua is still a military state or if it is safe to travel in the country. It would be naive to say that there have not been human rights violations in Nicaragua, especially in certain isolated areas of the country. Some of these violations apparently were perpetrated by members of the ex-military from both sides.

But most of that type of activity now appears to have worked its way out of the system. The random acts of violence still being reported are now products of poverty or personal conflicts between individuals. In my opinion, there does not appear to be a real problem in Nicaragua between security forces and civilians. The situation has vastly improved during the last five years as President Chamorro's brand of national recovery has taken root. Violence is no longer seen as the means for solving problems. The University is committed to helping its graduates develop tolerance for the views of others and an understanding of non-violent options for conflict resolution.

For those of you who have any lingering doubts about the safety of operating in Nicaragua, let me remind you that each day several hundred students and faculty travel to the University from various parts of the country. Just as in the United States, we remain concerned about people's individual safety from automobile accidents or random acts of meanness. But we do not have a serious concern about their safety because of military, paramilitary or police actions. This is simply non-existent, but I would be the first to come and tell you if that should ever change.

I would like to emphasize that the University of Mobile has been one of the largest, if not the largest, investor in Nicaragua since the government changed in 1990. We fully recognize the difficulties faced by this nation but we also see its vast untapped reservoir of potential. In the years ahead we will watch a budding democracy struggle to cope with the demands of poverty, the needs of education, and the challenges of economic recovery. The University of Mobile is committed to educating men and women who are professionally prepared to meet these challenges.

On behalf of the students in Nicaragua whose lives and futures are being impacted by the University of Mobile Latin American branch campus, I want to thank AID, as well as the members of the House and Senate for their confidence and their support. I am here to personally ask you for your continued assistance, so that the University can continue to be a major agent for positive and permanent change in Nicaragua. Through education we can provide the bedrock for continued stability, improve productivity, foster scientific research, and raise the standard of living for all Nicaraguan citizens. Let me assure you that any consideration that might be given to strengthening support to the University of Mobile Latin American branch campus would greatly enhance our effectiveness at helping the citizens of Nicaragua sustain themselves and face their future with hope, promise and confidence.

Speaking Resume
Dr. Michael A. Magnoli
President
University of Mobile

Dr. Michael A. Magnoli is President of the University of Mobile, Mobile, Alabama.

After graduating from the University of Mobile in 1967 with a degree in biology and chemistry, he earned a master's degree in biology and marine science from the University of Alabama and a Ph.D. degree in biology and biochemistry from the University of Southern Mississippi. He later completed a Ph.D. in higher education administration from the University of Alabama. Dr. Magnoli joined the University of Mobile staff in 1978 as director of development and was elevated to vice president in 1981. He assumed the presidency in 1984.

Prior to joining the University of Mobile administration, he had extensive service in public and private education as a teacher at the secondary and college levels and as an administrator.

An author and lecturer, Dr. Magnoli has written nine books and numerous articles, papers, and educational materials. He has made speaking presentations throughout the United States as well as in Canada, Central America, and South America. He has served as consultant to a number of colleges, universities, and school systems in areas of administration, planning, and curriculum development.

Active in civic, religious, and educational affairs, he is a member of the board of directors of the America's Junior Miss Scholarship Foundation, a director of the Alabama School of Mathematics and Science Foundation, and a member of the Executive Committee of the Dauphin Island Sea Lab.

He is married to the former Joann Parker who was also a member of the University of Mobile's first graduating class, and they have two children, Melissa and Jennifer.

Roberto J. Argüello
President Emeritus
Nicaraguan American Bankers and Businessmen Association
November 8, 1995
House Committee on International Relations
Subcommittee on Western Hemisphere
Washington, D.C. 20515

General Statement:

There is no question that Nicaragua is a country held hostage by the past policies of the former Sandinista government as well as those of the current government, that are not allowing the country to prosper politically or economically.

In the meantime, millions of Nicaraguans are suffering !

The level of poverty of Nicaragua equals Haiti, the Hemisphere's poorest country.

Solutions need to be found and they need to be found quickly if the country is to prosper.

The current Nicaraguan government has received billions of dollars in financial assistance, especially from the United States.

Yet most Nicaraguans live under extreme poverty.

This testimony will address the reasons why there is so much misery in Nicaragua as well as provide solutions to the problems outline herewithin.

The problems that Nicaragua face today can be easily summarized as follows:

- 1) Unwillingness by the current government to solve the problems of the common Nicaraguan.
- 2) The political instability and violence of members of the Sandinista Front.
- 3) The lack of Foreign Investment.
- 4) Lack of due process of law.
- 5) Problems created by La Piñata.
- 6) Freedom of speech.
- 7) Future elections

The problem created by the confiscation of properties during the Sandinistas years, remains Nicaragua's main problem.

Why is there a property problem ?

During the 1980's, the Sandinista government expropriated, confiscated or stole property from thousands of Nicaraguans from all walks of life, including thousands of American citizens.

The Sandinistas felt that at the beginning of their mandate, they had strong support from the Nicaraguan people to do what they pleased. This support eroded when the Sandinistas were unable to govern the country and did not respect human and property rights. Their unjust actions with the Nicaraguan people led first to a bloody war and then to their defeat in the 1990 Presidential elections.

Seizure of properties was done by the Sandinistas primary under decrees.

Who were the victims ?

The victims were anyone who did not agree with the philosophy and actions of the Sandinistas. Thousands of Nicaraguans lost their properties, some were valuable and some were not. But Nicaraguans had a sentimental value attached to their properties.

The Sandinistas actions led 20 % of the country's population - over 800,000 people - to leave the country, and the remaining population into a bloody civil war.

The Sandinistas seized not only properties of members of the Somoza family, but they also used the excuse "he/she is a Somocista" to take away property from rightful owners properties of all types of Nicaraguans.

Some properties were taken away from the poorest Nicaraguans in the North. This explains why many men and women joined the Contra ranks - and Nicaragua was in a never ending war - that pinned brother against brother. Emotions ran high. The author has interviewed hundreds of former contra fighters who indicated that they fought against the Sandinistas because they took away their material possessions and the Sandinistas killed their relatives and friends for no reason.

The word confiscation carries the connotation that the former owner was not compensated. Expropriation recognizes that the rightful owner will receive some sort of compensation.

Decree 38, issued by the Sandinista Junta in July 20, 1979, gave power to the newly formed government to confiscate properties belonging to members of the Somoza family and followers. This decree was later suspended on August 8, 1979. The wording and actions of this decree led Sandinista officials to tremendous abuses of authority, creating serious conflicts in the Nicaraguan society, never before seen in the history of the country.

The Sandinistas confiscated land, factories, houses, all types of business, including the financial, agricultural, industrial and commercial sectors, ... even animals (i.e. cows...horses.. and dogs).

The Sandinistas did not use legal means to confiscate properties.

They used brutal force. Whoever opposed them was simply killed.

This lack of legal framework in which confiscations of properties were done without a due process of law is now creating problems in Nicaragua and having a serious effect in the democratic process of the country. To complicate matters, the Sandinistas passed a decree that allowed them to confiscate any property belonging to Nicaraguans who had opted to reside outside of the country for more than six months. The Sandinistas issued decree 760 to allow the government to take property away from individuals " who had been absent of the country for more than six months". Once again, this

decree led Sandinista officials to commit thousands of unjust acts of confiscation.

The Sandinistas lost the Presidential election of 1990. Their defeat took them by complete surprise. Even the winner, current President Violeta Chamorro, could not believe that she had won the election.

However, to Mrs. Chamorro's surprise as under the former Sandinistas laws, the winner was decided by the recount of the votes. Therefore while Mrs. Chamorro was busy celebrating her victory, the Sandinistas were busy, recounting the votes and giving themselves seats in the Nicaraguan Assembly that they had not earned during the election.

During the 1990 election, the winners lost, and the losers won !

After the Sandinistas realized that they had lost power, they also discovered that "the legal titles" of thousands of the properties that they had seized by force, had not been registered to those individuals who had taken possession illegally. Therefore they became illegal tenants of unjustly confiscated properties.

The Sandinistas made the mistake of assuming that they were going to rule Nicaragua forever. Therefore they did not bother to change the legal title of confiscated properties which were seized by force.

But as the Sandinista leadership felt pressure from their political bases, they endeavored to legalize their confiscations.

These actions also led to additional injustices. The Sandinista leadership ordered to loot, if not all, of the government resources, and to distributed most of confiscated properties at will without a due process of law. This process is known as "La Piñata". This act affected the relations of the Sandinistas with the Nicaraguan people and true revolutionaries throughout the world, who saw the Sandinistas as an organized group whose only concern was to enrich themselves.

The newly elected government of President Violeta Chamorro made the mistake at the beginning of her Presidency by not taking the property problem as a serious matter, affecting her nation and stability of her government.

Thousands of Nicaraguans, many of whom had become American citizens, wanted to return to their homeland to assist in the reconstruction of the economy. Unfortunately, the government of Mrs. Chamorro thought that the property problem was not a priority.

How wrong she was !

President Chamorro's main preoccupation was to obtain as many millions of dollars in donations as possible.

Although she was successful in obtaining donations - the United States alone donated over one billion dollars within a three year period - President Chamorro made the assumption that countries like the United States, would donate substantial sums of money forever.

Foreign assistance sometimes achieves the opposite effect of what it is intended to do.

In the case of Nicaragua, President Chamorro's economic team in the first four years in power felt no pressure of making the Nicaraguan economy work, as the inefficiencies of the economy as well as the substantial deficits in the country's balance of payment were being financed by large donations from countries like the United States.

This is why, the Government of Nicaragua was slow in returning properties to its rightful owners.

The problem was so severe, that the Justice Department of the government of Nicaragua was housed in a building that belonged to an American Citizen.

If a government does not respect property rights, neither will its citizens.

President Chamorro did not count on a number of things: 1) Worldwide investors came to the conclusion that if Nicaraguans were not investing in their own country, it was because it was not safe to do so; 2) Nicaraguan Americans became very well organized and worked together with Members of Congress and the Senate in effectively forcing the government of Mrs. Chamorro to give special attention to property claims of United States citizens 3) Nicaraguan citizens formed a strong Association of "Confiscados"; 4) The top Sandinista Comandantes developed successful strategies to fight the return of properties that they stole; 5) Trouble makers, following the orders of former President Daniel Ortega, held Mrs. Chamorro hostage of all her actions; 6) Corruption in the Chamorro administration became rampant and Nepotism became a problem; and finally the Chamorro government quickly lost all respect from its citizens.

All of the above had a negative on the flow of desperately need for foreign investment.

Foreign investment hardly reached Nicaragua. With the exception of a group from Taiwan that bought the majority shares of the Intercontinental Hotel and the investment made by the University of Mobile, there has been no major investment in Nicaragua.

Doctor Michael Magnoli, President of the University of Mobile, deserves my utmost respect for a job well done in helping built an educated work force that eventually will help Nicaragua prosper.

Nicaraguans in general have no faith in the Nicaraguan economy and their government. Potential investors are very worrisome of the electoral process, the fight between the Nicaraguan Assembly and the Chamorro administration.

This fight has created a tremendous political chaos. Nicaragua for most of 1995 was the only country in the world that had two constitutions.

It is hard to believe that such a business could exist !

Proposed solutions:

Under civil law, property rights are preserved. Individuals invest in properties, hoping that they will increase in value. Preservation of value includes preservation of the title of the property.

The problem in Nicaragua is that title to property passes from one person to another without the legitimate's owners knowledge, consent or even compensation.

* Individuals who have been confiscated by the Sandinista government should have their properties returned immediately, especially in those cases where the government or the Armed Forces (including the police) are in possession of them.

In cases where it is impossible to return said property, the rightful owner should receive proper (market value) compensation.

The government of Nicaragua has been issuing worthless bond as a form of compensation. These bonds currently trade at 15% of their face value.

* Also, members of the Nicaraguan government are the ones that decide what price to pay for a property that was taken away from its rightful owners. These individuals are so overwhelm by work , that conceivably could work for ten years without taking a coffee break, as still they will not be able to solve the property problem in Nicaragua.

* Many holders of the bonds are worried that the next Nicaraguan Government will not recognize the bonds as valid. This tends to depress the price of the bonds even more. One way to increase the market value of the compensatory bonds is to back them with valuable properties and not only with the faith and credit of The Republic of Nicaragua.

To this end, the privatization of the telephone company is a must. The proceeds of the sale of this company, as well as other state owned companies that should be privatized, should be placed in a escrow account in a United States' Financial Institution to secure interest and principal payments of the compensation bonds.

* The Nicaraguan Government formed a Commission in 1991 to revise all confiscations of Nicaraguans.

One problem is that the revisions of the Commission have been subjected to political pressure, both from the government and the Sandinistas. Additionally, the government of Nicaragua has not followed the recommendations of this commission.

* The registrar of properties is a joke. Any lawyer can change the title of a property without the owner's knowledge and compensation.

* Political parties and all Nicaraguans have to understand that the problem of properties that were confiscated by the Sandinistas is a real problem, which is hurting the development of the country.

* Someone of international stature has to mediate the property problem in Nicaragua. Nicaraguans have proven to be unable to solve their problems.

* The main Sandinista leaders have to lead by example. They have to return what is not theirs. It is not possible to have Daniel Ortega living in a house that everyone in the world knows belongs to banker Jaime Morales Carazo. All of the main Sandinista Comandantes reside in stolen homes.

* Former fighters of both sides should have their properties returned, and compensated for their services. The above action will reduce the index of criminality.

* The United States should be aware that great numbers of former freedom fighters have been killed like animals and not a single person has raised his/her voice to protest such killings.

* The killers of Jean Paul Genie, Enrique Bermúdez and Polo Serrano continue to walk freely in Nicaragua.

How can this be ?

* Total reconciliation cannot exist in Nicaragua without the participation of political parties, indigenous groups of the Atlantic coast, and the 800,000 exiles.

* The Nicaraguan American community plays a critical role in the reconciliation and property issue. This community could be a constructive force.

* Presently, Nicaragua is a lawless country. Members of the Nicaraguan Assembly, the same persons that make Nicaraguan laws, are part of the problem. Many of them are Piñateros.

* Many people consider the current government a thing of the past. Nicaraguans are very worried about the upcoming 1996 elections.

* The leader of all polls, Managua's former Mayor, Arnoldo Alemán, is highly popular. However there are more than twenty five individuals running for President in Nicaragua. I fear for Mr. Aleman safety.

* The United States Congress should be watchful that the upcoming elections are clean and democratic.

* Members of the Nicaraguan-American community should be invited by the National Endowment for Democracy (NED) as observers in the upcoming elections.

* Persons of international stature should supervise the elections.

Please keep Mr. Jimmy Carter and his Carter Center away from Nicaragua. By being pro-Sandinista, The Carter Center has already done tremendous and irreparable damage in Nicaragua. Keep in mind that the Sandinistas won power in Nicaragua aided by the former Carter Administration.

* Proper funding to have an international team of observers should be secured.

* Freedom of the Press has to be respected.

I am deeply concerned with the safety of the Publisher of one of the country's largest independent newspaper, La Tribuna, Mr. Haroldo Montealegre. This gentleman and his family have been harassed simply because he published reports of the Attorney General of Nicaragua in which the corrupt acts of various members of the Nicaraguan Supreme Court are exposed.

* United States's foreign assistance should be given for the right reason, be properly accounted for and whoever commits the act of stealing it should be imprisoned in the United States.

Please understand that Nicaraguans and Nicaraguan Americans are not opposed to the fact that the United States gives aid to Nicaragua. What concerns them, is that the foreign assistance of the United States has been misused and in many cases has been stolen.

* I am very concerned about political violence. Furthermore, most of the Nicaraguan Churches have been targeted by terrorists as result of the Pope announcing his visit to Nicaragua.

Keep in mind that if something happens to a rich or well connected individual in Nicaragua, chances are that someone will come to his/her aid. ¿ But who will aid the poor Nicaraguan ?

* It is important that the U.S. Department of Justice has unjustly been deporting great numbers of Nicaraguans, many of them who have law abiding citizens.

This must stop !

* As a final point, I have the upmost respect for career officers of the Department of State. I think very highly of the United States Ambassador to Nicaragua, The Honorable John Maisto.

However, career Diplomats follow the directives of the bosses. This is why having Congressional hearings like this one are very important.

I congratulate and thank you Mr. Chairman and Members of your Committee for having this important hearing, which will help shape the foreign policy of the United States and eventually help restore full democracy in Nicaragua.

Roberto J. Arguello
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Coconut Grove, Florida 33133
(305) 285-9401

Present Responsibilities:

Northern Trust Bank of Florida, N.A. Miami, Florida

1979 to Present

Vice President - Domestic Hispanic Marketing and CRA
Marketing Executive for the State of Florida

Free lance columnist for over 100 Hispanic and Latin American newspapers, from Canada thru Chile

Education:

University of Notre Dame Notre Dame, Indiana

1977-1979

Master in Business Administration with a concentration in finance.

1973-1977

Bachelor in Arts and Letters. Major in Economics.

Community Activities:

Member of the United States Senate Republican Hispanic Task Force since 1988.

Founder and Past President of The Nicaraguan American Bankers and Businessmen Association. President for periods 1983-1984, and 1986-1987. Member of the Board of Directors since 1983.

President of The Notre Dame Club of Latin American and the Caribbean.

Former President of The Notre Dame Club of Miami.

Former Vice-Chairman New Co-Ventures Committee of the Greater Miami Chamber of Commerce's Hispanic Group.

Former Member of the Board Ronald McDonald Children's Charities. Member since 1987.

Member of the Board of Goodwill Industries, Miami, Florida.
Member since 1991.

Member of The Dade County Fair Practices Elections Committee.
Member since 1990.

Treasurer and member of the Board of Directors of The Guatemalan American Chamber of Commerce in Florida.

Treasurer and member of the Board of Director of the Honduran American Chamber of Commerce in Florida.

Member of The Latin American Chamber of Commerce (CAMACOL)'s banking committee.

One of the three original founders, and first Treasurer of Miami's runaway children's shelter, The Miami Bridge. Period 1983-1985.

Member of the Board of Directors of Florida International Bankers Association. Period 1987-1988.

Member of the Board of Directors of Boystown of South Florida. Period 1985-1987.

Awards/Recognitions:

Received in October of 1995 the award "Notre Dame man of the year of the Notre dame Club of Miami.

Received in May 1995 the award "The Pioneers" by the Bloque Hispanoamericano de Prensa.

Named by The White House as Member of The Host Committee of the Summit of The Americas 1994.

Condecorated in 1994 by the City of Guatemala City Council as "Distinguished visitor to the City of Guatemala".

Price Waterhouse - South Florida Magazine 1992 Banker of the year.

Named President Emeritus of The Nicaraguan American Bankers and Businessmen Association.

Named Judge of The Miami Chapter of The National Association of Women Business Owners Recognition '92 and '93.

Named Judge of "The 1994 Small Business Competition Award" sponsored by The Miami Herald, El Nuevo Herald and MCI Communications, Inc.

Florida's Governor, Bob Martínez, declared on the 10th of May of 1989 as "The Roberto J. Argüello Day" in the State of Florida for all of his contributions to the State of Florida.

Received certificate of appreciation for Congressman Lincoln Díaz Balart for his contributions to the South Florida Community.

Received the award "El Gueguense de Oro" from the newspaper La Estrella de Nicaragua.

Personal Data:

Born: April 1, 1955

Married to Maria K. Argüello

Two children; Alexandra, and Roberto III.

PREPARED STATEMENT OF LISA HAUGAARD
 LEGISLATIVE COORDINATOR, LATIN AMERICA WORKING GROUP
 BEFORE THE
 SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS
 COMMITTEE ON INTERNATIONAL RELATIONS
 U.S. HOUSE OF REPRESENTATIVES
 WASHINGTON, DC
 NOVEMBER 8, 1995

I would like to thank the honorable members of this subcommittee for the opportunity to testify today.*

Who would have expected, when the Chamorro government was elected in 1990, that a mere five years later, in 1995:

- * The military would be peacefully reduced from 80,000 to 11,000, 20,000 members of the Nicaraguan Resistance would be peacefully demobilized, General Humberto Ortega would step down, and a law would be passed increasing civilian control over the military;
- * the Chamorro government would have managed to remain true to its pledge to promote national reconciliation, moving away from Nicaragua's traditional "winner-takes-all" politics; and
- * Nicaraguans, operating under virtually complete political freedoms, would have settled down by and large to the business of democracy, readying themselves for the 1996 elections?

It is necessary to be realistic in judging Nicaragua's progress in the last five years. This is a country that has endured two brutal civil wars; that became a proxy fighting ground for the Cold War; that suffered a forty-six-year dictatorship under the Somoza family followed by a decade of tremendous social upheaval and conflict under the Sandinistas. It is a country with little experience of democratic rule. In judging Nicaragua's progress, it's essential to consider what might have been: the country could have degenerated into complete ungovernability and ongoing civil war. There was enormous controversy among Nicaraguans about the most basic questions of how to organize their society when President Chamorro took office; thus that there has been a high level of political conflict is hardly a cause for surprise or a matter for blame. In this context, Nicaragua's progress has been remarkable and both the Chamorro government and Nicaraguan society in general deserve credit for these achievements.

*The Latin America Working Group is a coalition of 58 national religious, human rights, grassroots and development organizations. The views expressed here today are my own and not necessarily those of all of the 58 organizations.

At the same time, of course, there are very serious problems facing Nicaragua. In evaluating these problems, it is time to take off our Cold War glasses and be willing to take a new look at Nicaragua and its changing dynamics and players.

What are the dangers and problems facing Nicaragua?

1. The temptation to ignore the rules of the game, or to walk away from the table. In Nicaragua, the rules to the democratic game are new; some are still being hammered out. The specific powers of the legislature, of the executive, and of the judicial branch, for example, do exist now on paper, but have not been widely accepted in practice. In the last few years, there have been several moments of crisis, including a year-long boycott of the National Assembly by some UNO legislators, and, more recently, a standoff between the executive and the National Assembly over a series of major constitutional reforms. In the latter, the Chamorro Administration refused to publish constitutional reforms that had been passed by the National Assembly, generating a political impasse that lasted months. These moments, in which the normal functioning of government is paralyzed, are extremely dangerous. Moments when groups and individuals resort to physical violence and sabotage are also dangerous, not just for their immediate effects, but for their impact upon the Nicaraguan polity. U.S. policy should urge Nicaraguans across the political spectrum to abide by the democratic rules of the game, to resist the temptation to walk out or boycott debate, to reject violence of any kind, and to accept the compromises worked out in the democratic process.

2. Loss of belief in leaders. There's a distinct danger that Nicaraguan citizens are losing faith in leadership across the spectrum. The endless bickering and stalemate among political elites undermine confidence in political leaders. The orthodox line of the FSLN, party officials and business leaders on the conservative side of the political spectrum, the Chamorro Administration at certain points all have staked out intransigent positions, refused to budge, and argued as if they enjoyed it, at great expense to the rest of the population. Corruption is also a problem, and has a similar effect of loss of faith in political leaders. The FSLN's reputation was badly damaged among its supporters for the rewarding Sandinista officials with larger farms and houses, the so-called "pinata" that occurred during the lame duck period in 1990. Rumors of corruption periodically surface regarding Chamorro Administration officials--most notably surrounding privatization, which was carried out with little transparency--and regarding the former mayor of Managua, Arnaldo Aleman, now a presidential candidate. I do not presume to confirm or evaluate these rumors of corruption, which are flung with abandon but difficult to prove, but clearly Nicaraguan leaders need to take steps to regain public confidence in their integrity.

3. How best to develop military and police forces that are under civilian control and respect human rights. As mentioned earlier, there have been real steps forward

regarding the military.* The new military law, passed in August 1994, gives the president the right to appoint the head of the army, sets a 5-year term for that post, and establishes that military personnel implicated in crimes against civilians should be tried in civilian courts--which is a real breakthrough. The recent constitutional reforms affirm that the military is apolitical and its role is limited to national defense except in cases of national emergencies and natural disasters. The reforms also make forced recruitment unconstitutional.

So far, so good. What needs to be monitored is how cases against the military move through civilian courts. Another area of concern is the considerable economic power of the military. The military law establishes civilian oversight of the military pensions system and military-owned enterprises, but this must be effectively enforced so that the military, with its separate sources of income, will not have economic independence. The Nicaraguan people should not have had to endure such massive upheaval only to end up once again with the same overwhelmingly powerful military that has plagued their own country, as well as Honduras, Guatemala and El Salvador.

The police force is currently perhaps a greater concern. The question should not be "Do the Sandinistas control the police?", but rather do the police abide by civilian control and adhere to human rights standards and cooperate appropriately with the justice system. In the last year, there have been several disturbing incidents of excessive use of force by police. In May 1995, a clash between transport strikers and police resulted in 2 strikers and one police officer killed; the human rights organization CENIDH attributes the death of the strikers to the police. In September, the police allegedly mistakenly shot a university student, who was in the act of being robbed, later refusing to take him to the hospital and beating up his friends who sought to intervene on his behalf; the student died. In addition, there are increasing reports of police demanding bribes. Some observers have pointed to extremely low police salaries as contributing to corruption and demoralization.

4. A flawed justice system. The problem in Nicaragua is less a large volume of ongoing human rights abuses, although there continue to be concerns, and more the lack of progress in human rights cases through the courts. The functioning of the Supreme Court this year was disrupted by the constitutional conflict. A ray of hope is the promised establishment of a human rights ombudsman's office, which was set forth in the constitutional reforms. It would be helpful to encourage the Nicaraguan government to do the administrative work necessary to open this office.

The question of rural violence. There have been high levels of violence, especially in the countryside, since the Chamorro government took power, although the levels appear to be declining. While cases of military and police involvement do exist and

*In terms of ongoing human rights violations by the army, the Meranosa case is the most disturbing example. Two army officers and 13 recontras died on January 7, 1995; there were conflicting accounts over whether the recontras died in combat.

should be vigorously investigated and prosecuted, this is not state-sponsored violence. It has occurred because of the hatreds on both sides generated by years of war. It also has an economic basis: as tens of thousands of soldiers from both camps demobilized, there was insufficient systematic attention to their needs, despite some useful programs by the OAS's CIAV, the UNDP and other international donors. Lack of agricultural credit, lack of land titles, and psychological as well as economic difficulties in making the transition to peace led considerable numbers of ex-Resistance and laid off soldiers to take up arms again, referred to, respectively, as "recontras" and "recompas." The government has now negotiated with the largest such groups (and the agreements reveal the economic nature of their demands), but there continue to be some incidents of violence in the countryside. Some observers claim this is now really banditry rather than armed political movements. However, if there are no improvements in the rural economy, the numbers of rearmed groups could soar once more.

According to the Organization of American States' International Support and Verification Commission (OAS/CIAV), 270 ex-Resistance members were killed from June 1990 through the end of 1994. (CIAV's mandate, until recently, was restricted to protecting the human rights of and providing support for demobilized Resistance members.) According to the human rights organization CENIDH, 169 FSLN members or sympathizers were killed from May 1990 through March 1994. CIAV's study of the 44 deaths of ex-Resistance members that took place in 1994, however, shows that 23 of the deaths were attributed to other ex-Resistance members or recontras, while 7 were attributed to the army or police, unknown assailants killed 11, and recompas--rearmed demobilized army soldiers--killed 3.

The facts reveal a complex picture of violence among ex-Resistance members and between Resistance and Sandinista supporters in the countryside, the bitter legacy of war. It is not entirely clear how the government could have prevented much of the violence, although greater attention to the economic needs of the demobilized would have helped, and should still be a priority. What is evident is that the government should have done a better job of ensuring that these cases of violence were investigated and prosecuted. In itself, an end to impunity can discourage future violence.

5. The failure so far to generate economic progress for the majority of people. The Chamorro government administered an extremely strict structural adjustment program that involved massive public sector layoffs, privatization of all but 19 of 351 public sector enterprises, and drastic contractions in farm credit. After years of negative growth rates, 1994 GDP increased by 3.2%, and inflation was brought down to 20% in 1994 from over 13,000% in 1990.

However, many Nicaraguans have suffered greatly during this adjustment. Un- and underemployment was estimated to be running at levels of 50 to 60% through 1994

(although that estimate may be exaggerated). In practical terms, this means families are living on one meal a day, increasing numbers of children are begging or selling chewing gum on the streets, and small farmers lose their lands or retreat to subsistence farming as they are cut off from credit. As banks have been privatized, many have largely stopped lending to the small rural producer; they have been concentrating lending in the commercial sphere. The harshness of this adjustment at times directly interfered with the process of post-war reconciliation, facing the country with difficult trade-offs between groups and distracting government attention and resources from the needs of the resettled, the demobilized and the returned refugees.

International financial institutions and the Nicaraguan government should take a new look at adjustment policies to lessen the impact on the poor and to ensure a broader based economic revival. The Nicaraguan economy must generate benefits for the majority of people if everyone is to have some stake in the democratic system.

The Property Debate

I'm going to turn now to the property question which has been at the center of the U.S. policy debate.

This is a moment of opportunity to resolve this complex, seemingly endless property debate. The Nicaraguan executive branch and National Assembly are working hard on a property bill; they have begun debate in the National Assembly, and are now carrying out consultations with civil society. This bill is based upon a July 1995 conference sponsored by the UNDP and the Carter Center at Montelimar in which almost all the affected sectors participated and reached a consensus. U.S. support for this consensus could help resolve this debate, which if drawn out will continue to sap Nicaraguan energy and hold back economic progress.

What does the bill say? The bill provides a fair compensation to most claimants: current market replacement value of the property, payable in bonds. Only the Somoza family itself is excluded from receiving compensation (under agrarian decree 3, which still is held valid); those whose property was confiscated under agrarian decree 38, aimed at those who profited from their association with the dictatorship, including members of Somoza's National Guard, as well as those who were deemed to have abandoned their land, will be eligible to receive compensation.

At the same time, the agrarian reform, which distributed land to 171,980 families under the Sandinista and Chamorro administrations (the latter includes demobilized Resistance members and EPS soldiers), is recognized as legitimate. Many of the small farmers who benefitted from the reform but who have existed in a legal limbo without

*For a complete treatment of the property issue, see Jennifer McCoy, David Carroll, Michael Elliot, Steve Hendrix, and Doug Yarn. "Nicaraguan Property Disputes." Latin American and Caribbean Program, The Carter Center. Atlanta, Georgia. April 1995.

the land title that would permit them to apply for bank credit, now will be satisfied. Also, those who received houses under 100 square meters in the urban land reform will keep their houses. Former owners of these properties will be compensated by the government.

However, those who received houses of over 100 square meters will have to return the properties, or pay the former owner the compensation owed. This fairly effectively deals with the corruption issue raised by the Sandinista leaders who assigned themselves nice houses in the "pinata."

Does this bill provide a just settlement for all Nicaraguans? We have to recognize that not everyone will be satisfied: compromise is essential. The bill under discussion is a good deal for most of the over 5200 claimants who had property confiscated. Wholesale physical return of property is not a viable solution. It would go against President Chamorro's campaign promise to ensure that small farmers kept their lands. It would be highly unjust, leading to the removal of many of the 171,890 families who received land, mostly landless poor. It would threaten the glimmers of fragile consensus that exist in Nicaragua today.

Although it is understandable that many of those whose property was confiscated would wish cash compensation, this is not possible either. As it is, it is estimated that the compensation through bonds, the funds for which will come largely through the sale of the telecommunications company Telcor, is estimated to cost about \$650 million, equalling two years of export payments. This is an enormous sacrifice for the country, given that those payments could have gone to improve social and productive infrastructure, or to pay down Nicaragua's crippling \$11 billion debt, the highest per capita debt in the world. However, this seems to be the compromise Nicaraguans are reaching. And everyone will benefit in the end from a solution to the property conflict.

As you look at the property solution, consider that in pre-1979 Nicaragua, 43% of the arable land was occupied by less than 2% of the farms (in 1971; International Fund for Agricultural Development). Some of the Asian economic powerhouses undertook agrarian reforms that ultimately strengthened their economic performance. A solution to the property conflict that compensates former owners but permits small farmers to keep their lands is in the interests of a democratic and stable Nicaragua.

Recommendations for U.S. Policy

How can the United States help the democratic process in Nicaragua?

- * **By continuing aid, especially to improve health, provide technical assistance to small farmers and microenterprises, and otherwise assist Nicaraguans in meeting basic human needs. The economic picture is bleak for Nicaragua; it is**

one of the poorest countries in the hemisphere, along with Honduras and Haiti. On this ground, as well as due to the extensive past U.S. involvement in Nicaraguan affairs, the United States should continue assistance. What is at this point a relatively small investment can have a long-term payoff.

- * **By being nonpartisan;** by not favoring one side over another, but urging all sides to reach agreements and work together--in Nicaragua, not by continually involving Washington. The Clinton Administration, while obviously clearly expressing U.S. views on property and other subjects to the Nicaraguan government, has taken the correct approach in urging Nicaraguans to settle their differences themselves.

This nonpartisan approach will be especially important in the upcoming elections. The U.S. government should not be funding a campaign, backing a candidate, or funding partisan civic organizations. Electoral aid should go through the widely respected Supreme Electoral Council for technical support for the electoral process.

- * **By balancing concerns about property with concerns about institutional strengthening of judicial system and protection of human rights.** An exclusive emphasis on U.S. citizens' property rights is, frankly, unseemly. The concerns of democracy are broader. The Congress as well as the administration should strongly support the establishment of a human rights ombudsman's office and should focus on progress in the judicial system.
- * **By emphasizing the process.** Nicaraguans are negotiating over deeply divisive issues regarding the basic principles upon which to organize their society. U.S. policy should not discourage the compromises that are essential. This includes the property issue. There must be U.S. support for a final settlement of the property issue, or consensus among Nicaraguans will once again fall apart. All parties to the U.S. debate over Nicaragua in the past fifteen years have said they support democracy in Nicaragua. Well, there is democracy in Nicaragua--messy and conflictual, riddled with compromises, reflective of national realities, annoying at moments, but ultimately worthwhile: democracy.

SPEECH BY HER EXCELLENCY
MRS. VIOLETA BARRIOS DE CHAMORRO
PRESIDENT OF THE REPUBLIC OF NICARAGUA
TENTH ANNIVERSARY OF THE CENTER FOR DEMOCRACY
WASHINGTON, D.C.
SEPTEMBER 26, 1995

Mr. Kelly, President of the Board of Directors of the Center for Democracy.
Professor Allen Weinstein, President and Executive Director of the Center for Democracy.

Members of the Government of the United States of America.

Honorable Senators and Representatives.

Friends,

I would like to thank you for your invitation to share with you this evening in the celebration of the Tenth Anniversary of the Center for Democracy. I would like to express to you my sincere recognition for all the support you have given the democratic process in my country. This support has included observing the historic elections of February 25, 1990 and supporting the National Assembly on legislative matters.

I am thrilled to be at this forum, where dialogue is practiced and promoted with the joint action of parties and countries that favor both democracy and the well-being of the peoples of the world.

The Center for Democracy is expanding the frontiers of freedom in diverse continents, helping societies in transition build a legal framework based on the Rule of Law and a market economy. I can tell you that Nicaragua is one of these examples.

Building democracy in Nicaragua has been a very difficult and misunderstood task. Upon beginning my presidential mandate on April 25, 1990, I found a country that was destroyed by war, a result of the ideological imposition that the Sandinista Government attempted in my country.

Our democratic transition took place in the midst of weapons. I found an army of more than 90,000 members facing another 22,000 combatants. The civilian population had more than 200,000 weapons of war in its possession at that time. Exile, imprisonment and confiscations of goods were the means with which to confront the opposition to democracy. Freedom of the press and political rights were suppressed. I inherited a collapsed economy. State centralization practically did away with the initiative of the citizenry and the benefits of a free market. Under the economic model of the Sandinista decade, the State took over commerce, banking, insurance and production. The result was an economic regression that took us back to the 1940s, and left us an enormous foreign debt, one of the highest in the world in relative terms. Rationing cards, weekly devaluations,

confiscations and long lines at supply centers were coupled with the lack of liberties and became the main symbols of that time. As part of this sad outlook, we Nicaraguans inherited a culture of violence. Dialogue had been the absent protagonist in our history.

My first mission as President was to reestablish public liberties, abolish compulsory military service and foster a true reconciliation and unity among the Nicaraguan family in order to heal the wounds of war.

Today, political debate takes the place of gunshots, our Branches of Government are truly independent and we have managed to subordinate military authority to civilian authority. The gigantic army I inherited has been transformed to a force of 14,000 people, the smallest in Central America. We have approved a new Military Code that establishes the national and apolitical nature of the army. For the first time in the history of our nation, a head of the army abandoned the post peacefully. We took the school textbooks that taught addition by means of weapons and tanks and replaced them with books espousing civilian and patriotic principles. Many military installations were transformed into schools and universities.

The reconciliation, that I do not tire of asking from the Nicaraguan people, has allowed us to incorporate in the National Police, militants of the former Nicaraguan Resistance. The armed and security forces that formerly carried the name of the Sandinista party, today have become the National Army and National Police. Thousands of weapons that previously were in the hands of civilians have been recovered, destroyed and buried.

Economic reforms have put an end to a Centralist State. Private initiative has assumed the role and the challenges that make it the main agent of development. Since 1991, 10 new private banks, one Stock Exchange and one Commodities Exchange have been established in our country in a show of confidence and the entrepreneurial spirit of the Nicaraguan people. Three hundred fifty private enterprises, which constituted close to 30 percent of the Gross Domestic Product, have been privatized. We have been successful in eliminating the hyperinflation we inherited and in maintaining one-digit levels in price increases. We have also reduced our foreign debt or restructured it to increasingly more flexible terms.

Given the conditions of poverty I inherited, we are concentrating our efforts on children and women, who carry most of the family burden in our country. I have given special priority to primary education and preventive health, while integrating community participation and that of civilian society in these tasks.

I would like to clearly underscore that Nicaragua today has an economy with great potential. For the first time in 11 years, our Gross Domestic Product grew by 3.3 percent in 1994 and this year we will have a greater increase. Nicaragua now has

appropriate and firm legislation for the protection of foreign investments. We have subscribed to bilateral treaties for the promotion of investment with different countries, including the United States of America.

These important achievements have only been possible thanks to the solidarity we have found in friendly countries that have not deserted us. I would like to especially acknowledge the broad bipartisan support that the United States has shown us. By such support, you understood that democracy in Nicaragua is irreversible. Those who compare the Nicaragua of the past with the Nicaragua of today, transformed as it is by democracy, may appreciate how costly it has been to arrive to where we are today. We need to continue receiving support for our democratic process in order to meet the great challenges that face our society today. We will continue strengthening our economic development, confronting absolute poverty and perfecting our democratic institutions.

Upon completing my term, on January 10, 1997, I would like to leave the property issue resolved, which is one of the most difficult and complex problems that I inherited from the previous regime. The property issue affected more than 170,000 families and close to 25 percent of the arable land in Nicaragua. Today I can tell you that we have taken significant steps to finding solutions to this situation.

My dear friends:

We Nicaraguans are entering a new era in our history. We are heading toward an electoral process in 1996 that will enable us to take one of the most important steps in the consolidation of democracy. The challenge we face is to preserve peace, strengthen justice and the rule of law and further establish economic and social development, eliminating extreme poverty and fighting unemployment. Only absolutely free and honest elections can lead us to a true consolidation of democracy. I call on the international community to support us in the diverse aspects of the elections we will be holding towards the end of 1996. We are confident that we will continue to count on the support of the United States and the leaders of the Center for Democracy.

I would like to conclude by saying that the bipartisan consensus that the Center for Democracy has promoted in relation to Nicaragua has not been in vain. This celebration of the Tenth Anniversary of the Center for Democracy is also a source of great pride and satisfaction for my country. I would like to offer you a simple yet significant gift of a destroyed weapon, which symbolizes the peace and reconciliation of Nicaragua. May God bless the friendship between our two peoples! Thank you very much.

REMARKS BY HER EXCELLANCY
MRS. VIOLETA BARRIOS DE CHAMORRO
PRESIDENT OF THE REPUBLIC OF NICARAGUA
AT THE DEPARTMENT OF COMMERCE
WASHINGTON, D.C.
SEPTEMBER 27, 1995

Allow me Mr. Brown to thank you for kind invitation to participate in this breakfast and the opportunity to exchange viewpoints on some areas of common interest.

During the last few years, Central America has been making impressive progress in the opening up of its framework of trade and its economies. In fact, the reduction of tariffs, the elimination of non-tariff barriers, economic deregulation, improvements in the framework of investment policies and progress in the protection of intellectual property rights, among others, are contributing to the perfection of our instruments of integration.

In this context, it is important to highlight accession of all Central American countries to the World Trade Organization, a commitment that will bring regional trade norms into line with the disciplines that govern international trade. This development also represents a fundamental step in the creation of the Americas Free Trade Zone, which is the objective we established for ourselves in the Summit of the Americas held in Miami in 1994.

This set of policies and actions is contributing to a better commercial growth in the region; in 1994 intra-regional trade surpassed the historic levels reached in the last decade. Our principal trade partner is the United States, on the export as well as import levels, thanks to the Caribbean Basin Initiative.

This success notwithstanding, with the emergence of NAFTA, the region together with the Caribbean countries perceives potential disadvantages as a result of a diversion of trade and investment. For this reason, we support initiatives that promote NAFTA parity and we support free access of our products, which today face restrictions.

Although our commercial relations show important growth, they are not necessarily a reflection of the flow of investments. I therefore, consider that we must redouble our efforts to promote the potentials of investment in Central America.

When Mr. Pablo Pereira, our Minister of the Economy and Development, returned from the Meeting of Ministers in Denver, he reported to me in detail on two events of special importance to our country that took place in that city.

- 1) The signing of a Bilateral Investment Treaty between the United States and Nicaragua.
- 2) A working session with you where we responded to your initiative of holding a Forum on Trade and Investment at the Central American level with an invitation to stage such a Forum in Managua.

I now have the pleasure of reiterating that invitation to you and to tell you that in Nicaragua we will welcome you, your assistants and the important business people that accompany you, with open arms.

From the outset, we believe this event will be important, not only to give the Bilateral Investment Treaty its own dimension, but also to provide a magnificent opportunity to examine, within a Central American context, concrete perspectives on trade and investment between our subregion and the United States.

In this same vein of ideas, allow me to suggest the creation of a U.S.- Central America Business Development Council, a body that will promote business ties, providing the private sector with the major role befitting it in our societies.

Mr. Brown, distinguished guests,

Central America is a region that has abandoned war and violence and has initiated the irreversible consolidation of its democracies. I am proud to point out that, toward the end of next year, we will hold in Nicaragua, the fairest, most free elections in our history. These elections will mean a political transition without interruption, guaranteeing our democracy. Pacification, reconciliation and development have been the central themes of my Government, under the difficult circumstances I have had to govern.

In my country we put an end to the hyperinflation of the 1980s, launched a highly successful process of privatization, reduced the foreign debt and made considerable progress in the solution of the property issue inherited by my Government. We also began an intensive process of export diversification and, in general, have laid the groundwork for a better transformation of production with economic and social equity. Nicaragua is a stable country, currently open to foreign investment and willing to gradually assume the responsibilities imposed by economic globalization and international competition. Our convictions, our principles, as well as our laws grant complete security and protection to foreign investment.

I invite the American business people to discover Nicaragua. Here, among us, we have examples of business people and businesses that know that in our country in particular, and Central America in general, significant opportunities for trade and investment are taking place.

Come to Nicaragua, Come to Central America, we are waiting for you.

THANK YOU VERY MUCH

November 1, 1995

New York Depot Corp
3991 W. Sunrise Blvd.
Fort Lauderdale, Fl. 33311

Mr. Roberto Arguello
Northern Trust Bank

Dear Roberto:

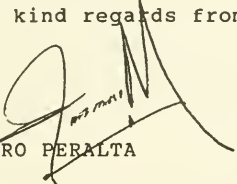
I am sending you a copy of the letter that was sent to my family by executives of the company, State Communications of Nicaragua, known as TELCOR, who have in their possession a piece of land stolen from me, and which has been used by them for the last ten years. I have been negotiating with them for the return of this property, but all of my efforts have been fruitless.

I want to explain that this land is located in Santo Thomas, Chontales, where TELCOR has constructed a small building that at present houses their regional office and communication equipment.


I have made every possible effort for its return, personally travelling to Nicaragua, and others through my brothers who live in Nicaragua, but all of these efforts have been un-successful. The only answer they have given me is to offer to pay me 25% of the property's value, and as I have refused this, TELCOR has now sent this letter threatening me with the confiscation of my property.

It is sad that at this time, the government of Nicaragua has adopted this attitude, that, not only will they not return our property, but as I will not accept their offer of a devalued price they are now menacing me with the confiscation of my property.

With kind regards from your friend,


HOMERO PERALTA




FRANCIA C. ECHAVARRIA
My Comm Exp. 8/17/99
Bonded By Service Ins
No. CC489394

[[Personally Known [X] Other I.D.

FL DL. 8643-320-54-444-0
HOMERO PERALTA EXP. 12/04/95
2 NOV. 1995

Juigalpa Chontales
6 October 1995

Mr. & Mrs.
Jose Andres Peralta Sequeira
Esther Mairena de Peralta

Santo Tomas, Chontales.

Dear Mr. & Mrs. Peralta:

On repeated occasions we have sent you messages through our office manager in Santo Tomas, Mr. Ramon Peña Rodriguez, to come to our offices in Juigalpa, without having received any reply up to this date.

Your presence for us is of the utmost urgency to legalize the title to the property with the building constructed by this institution for the installation of its administrative office and telephone exchange.

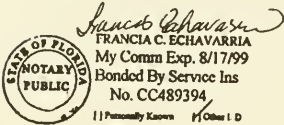
It should be made clear that the legalization of the properties of our institution is part of an overall process, now almost completed, and for this reason, if you do not present yourselves within a month from this date, we will assume that there is no longer any interest on your part in this property, and we can therefore proceed to carry out the corresponding legalization, in accordance with the Civil Laws of this country.

Awaiting your reply, we remain,

Cordially,

signed
Dr. Otto Mojica Rios
Delegate to the Minister
of TELCOR V Region

c.c. Roddy Gonzalez Martinez Region Coordinator
Legal Adviser TELCOR Managua
Office Head Sto. Tomas
File.



* THIS IS A TRANSLATION FROM THE ORIGINAL LETTER

FL D.L. P643-320-54-444-0
HOMERO PERALTA EXP. 12/4/2000
2 NOV/95

Miami, FL; November 4, 1995

Mr. Roberto Arguello
Miami, FL

RE: Nicaragua: Broken agreements to return property
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Dear Roberto:

I was informed that you would testify before the Subcommittee on Western Hemisphere Affairs of the Committee On Foreign Affairs House of Representatives and as a U.S. citizen whose family has lost properties in Nicaragua we are looking for your help. We would like to advise that the Nicaraguan Government is reneging on agreements made in June of this year for return or compensation of U.S. property. The agreements were made to avoid forfeiting the U.S. aid.

In January 1995 we presented to the U.S. Embassy in Nicaragua copies of claims to the Nicaraguan Government for properties that belong to us and ARE REGISTERED IN THE GOVERNMENT'S NAME TODAY.

1.- House.- It is built on two lots Registry Numbers #65.005 and #46.489, of which #65.005 is in the family's name but; #46.489 is REGISTERED IN THE NICARAGUAN ARMY's name and when we presented our claim the Army said "to find a solution where to move the Institute of History that occupies it and the Army would give us back our house". This house is being used by an institute of archives whose head is father Xavier Gorosteaga. At the end of June 1995, Dr. Emilio Pereira A., Minister of Finance informed us the Government had reached a verbal agreement with Mr. Gorosteaga; but I was not informed the details of the agreement and this agreement between them was signed in July 1995. In June 30, 1995 our family and Dr. Pereira signed an agreement and, part of it is that the Government shall return our house as shown in the pictures taken by me in October 21, 1994. We found out the agreement with the institute says they shall vacate our house not later than January 1996; therefore we have expressed to some officials at the Ministry of Finance that we are willing to wait until January 1996 to receive the possession of our house physically and as shown in the pictures dated Oct. 21st., 1994

Now the Nicaraguan Army is waiting for the written request from the Ministry of Finance to make the Deed to give us back our house legally and this has been the status for more than sixty days.

2.- Property #20.886 is being occupied by the Nicaraguan Electrical (Power) Company "ENEL" and it belongs to a corporation that was never confiscated and whose shareholders are three members of our family. On June 30th, 1995 we signed an agreement with Dr. Emilio Pereira A., Minister of Finance and the Government accepted to pay the property with US Dollars for an amount that we agreed over the phone. After more than 3 months we are waiting for the payment. The agreement also includes that if ENEL can't pay the just price, then we can rent it for an specific amount during three years and negotiating a better payment for us and a longer period after the third year.

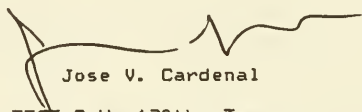
I am enclosing photocopies of the two letters signed by me and accepted by Dr. Emilio Pereira A., Minister of Finance of Nicaragua. Copies of all these letters, etc., are in the hands of the U.S. Embassy in Managua, Nicaragua.

The Nicaraguan Government has informed our Government through the U.S. Embassy that the two cases have been resolved; but that is not true. They were very eager to sign the agreements by June 30, 1995 in order to receive the U.S. aid and grants; but now that the Government has received the approval from the State Department and this Administration, the Nicaraguan Government is not doing anything to settle the two cases.

After June 30, 1995 I have made five trips to Nicaragua to no avail. It is because of this, that I am writing to you asking for your help in solving our situation by presenting our cases to the Committee.

My family and I thank you for your attention to this letter and your help in solving our problem in Nicaragua.

Sincerely,



Jose V. Cardenal

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NICARAGUA DEFAULTS ON AGREEMENT WITH UNITED STATES: ASSEMBLY APPROVES LAW "LEGALIZING" CONFISCATION OF AMERICAN CITIZENS' PROPERTY

FOR IMMEDIATE RELEASE: NOVEMBER 6, 1995

CONTACT: PATRICIA S. SOLLOCK PAGER: 1-800-739-7069
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The "Washington Coalition Against Property Confiscation in Nicaragua", spearheaded by Patricia Solorzano-Sollock, Chair of the Montgomery County Human Relations Commission, Rockville, Maryland, in collaboration with affected parties in the U.S. and Nicaragua, denounces a law, approved by the Nicaraguan Assembly, that "legalizes" the confiscation of American and Nicaraguan citizens' property.

Since President Violeta Chamorro took office in 1990, hundreds of American and Nicaraguan citizens have been unsuccessfully struggling to recover their confiscated properties in Nicaragua. Chamorro, upon assuming power and following the Sandinistas' footsteps, continued the illegal distribution of property referred to as the "Pinata". Such blatant theft devastated many who expected a "democracy" from her government. Five years later, owners are still fighting to recover properties/businesses which constitute many family's sole source of income and livelihood. A Congressional hearing about Nicaragua is scheduled for November 8, 1995, in Washington, D.C.

The U.S. has broken its own law, Hickenlooper and Gonzalez, section 620 (e) of the Foreign Assistance Act, which dictates that the U.S. should not provide any assistance to nations which do not respect the property rights of American citizens and businesses. Nicaragua circumvented this law by committing to the protection of foreign investment and economic growth. Pretending wholehearted commitment, Nicaragua has manipulated the U.S. into granting waivers for continued aid and has been the recipient of over a billion dollars in direct assistance and debt relief from the U.S. in the last five years. This assistance has been continuously justified by alleged reports from the U.S. Ambassador to Nicaragua, John Maisto, and the U.S. Department of State, that the property issue has been progressing despite protests from U.S. and Nicaraguan citizens who have produced evidence to show the contrary.

The Coalition denounces the U.S. Department of State for acting on behalf of the Nicaraguan government and for demonstrating a total disregard for U.S. citizens who have repeatedly provided evidence to prove (1) that Nicaragua has not been forthcoming in its intent to return/compensate for confiscated properties; (2) that the Nicaraguan government has not even begun to negotiate cases they claim are in the "final stages" of resolution; (3) that there was and continues to be misuse of foreign aid in Nicaragua. Names and specific situations to



unquestionably prove this blatant misuse of foreign aid have been offered to both the U.S. Ambassador and the U.S. Department of State. However, this information has never been acknowledged and when citizens have attempted to follow up, their claims have met defensiveness, disdain, and minimization.

Indifference to the rights of American citizens in Nicaragua has been overt and callous. When Former-President Carter was to lead a meeting in Nicaragua to plan for the resolution of properties, Ambassador Maisto did not even think of a mechanism whereby all confiscated American citizens could be informed about this event, nor suggested for them to at least submit questions or concerns for inclusion in the meeting's agenda. The number of Sandinistas, Nicaraguan officials and other government entities attending this meeting, was totally disproportionate to the one token confiscated citizen who was asked to participate.

Despite the U.S. Department of State's denial of our claims that Nicaragua was not committed to returning confiscated properties, five years later we are proven correct with the bombshell news that the their Assembly has approved the legalization of property confiscations.

The Coalition reiterates what confiscated citizens have attempted to tell the U.S. Congress for the last five years, that President Chamorro's government has never truly been committed to a democracy, nor to fostering free market and economic growth. Therefore, by the Nicaraguan Assembly having approved this law, we feel vindicated in our outrage towards this action which is in total violation of all civil, human and constitutional rights as well as in violation of all international property laws. Bluntly, Nicaragua has betrayed the U.S. by defaulting on its agreement to protect and foster private investment, free market and economic growth.

Furthermore, since this law is in violation of all principles for which the United States stands, the Washington Coalition seeks:

- (1) That the U.S. condemn this law approved by the Nicaraguan Assembly;
- (2) That the U.S. impose the Hickenlooper & Gonzalez law until all confiscated properties are returned and justly/fairly compensated;
- (3) That the U.S. Congress reconsider the Helms-Burton Amendment to grant U.S. citizens legal recourse against individuals who confiscate their property or businesses and to show the world that violation of U.S. citizens' rights will meet zero tolerance;
- (4) That reports on "resolved" property claims be submitted monthly to the Senate Committee on Foreign Relations, the Washington Coalition Against Property Confiscation in Nicaragua and other interested parties to assess veracity of reports;
- (5) That the U.S. Congress, not the U.S. Department of State, be given sole authority to evaluate progress in Nicaragua and to grant future waivers for assistance based on true resolution of property claims;
- (6) That the U.S. Congress conduct an investigation as to why Ambassador Maisto and the U.S. Department of State, rushed to ignore claims of foreign aid misuse in Nicaragua, and did not even attempt to meet with U.S. citizens who offered supporting evidence and proof;
- (7) That the American people be informed of the millions of dollars that the United States has awarded to Nicaragua in the last five years, a country violating all principles of a democracy, at the expense of national program cuts and of U.S. taxpayers money.

NOTE: Supporting documents are available.

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U.S. Prods Nicaragua on Seized Land

By LARRY ROHTER

MANAGUA, Nicaragua — From the day she took office five years ago, President Violeta Barrios de Chamorro has struggled with the thorniest problem she inherited from the Sandinista National Liberation Front: how to reimburse the owners of the thousands of houses, farms and factories that her predecessors seized as part of their program of social revolution.

Some 2,200 cases have been resolved and more than \$260 million in bonds issued to former property owners.

But now the United States Congress, dissatisfied with the pace at which the Chamorro Government is compensating Americans who have claims to confiscated properties, is threatening to cut off aid to Nicaragua. That could be a severe problem in a country whose economy has just started to recover from a decade of civil war between the Sandinistas and American-backed rebels.

The get-tough attitude, championed by Senator Jesse Helms, the Republican from North Carolina who is chairman of the Senate Foreign Relations Committee, and Representative Robert Torricelli, a New Jersey Democrat, has been encouraged by the property owners themselves, hundreds of whom fled to the United States and became American citizens when the Sandinistas were in power.

"We are now U.S. citizens, paying taxes, and we don't see why our money should go to this country," said Luis Raúl Cerna, a leader of the Association of Bondholders, one of several groups that represents owners of confiscated properties. "I want the U.S. Congress to tell the Nicaraguan Government that in order to get more aid, they must obey the law."

Nicaraguan officials say they are dealing with the claims as quickly as they can under difficult and confusing circumstances, and they have been pleading with the United States to be patient.

They point out that many of the properties were seized without legal formalities, creating a welter of conflicting claims and land titles that have overwhelmed the courts here.

"It is not that there is no political will to solve this problem," Foreign Minister Ernesto Leal Sánchez said in an interview here shortly before heading to Washington to argue Nicaragua's case. "It is that the problem is complex and immense."

To avoid a cutoff of aid, the Clinton Administration must certify by July 31, as it has in the past, that Nicaragua has shown progress in resolving the property issue and in correcting human rights abuses, or else grant a

special waiver.

But Congress is considering legislation that would remove that authority from the President and place Nicaragua's fate in the hands of a hostile, Republican-dominated Congress.

"They've got to show continued progress, and progress has slowed," Mr. Torricelli said in a telephone interview. "This is a new Congress, and we could just cut off aid."

American aid to Nicaragua, in the form of grants, loans, credit and debt forgiveness, has totaled more than \$1 billion since Mrs. Chamorro took office, but has been declining and this year is less than \$30 million.

Officials here say that what most alarms them is a provision in the Helms-sponsored bill that in the ab-

dictatorship, which was overthrown by the Sandinistas 16 years ago. The same group, he said, accounts for half of the claims that have been settled.

"They have the money and the lawyers to be first in and first out," Mr. Pereira said. "They were the first to get American citizenship and the first to pressure Congress."

Much of the land the Sandinistas confiscated, initially from the Somoza family and then later from others considered unfriendly, was turned into agricultural cooperatives or given to squatters.

More than 170,000 families, most of them poor peasants or refugees from the violence of the 1980's who settled on the edge of Managua and other cities, now live on such parcels, though most are still waiting for formal property titles.

The issue is further complicated by the desire of many property claimants to return to their homes rather than accept compensation. Bayardo Arce, a Sandinista commander, and the Cuban Embassy moved into houses owned by the family of Roberto Argüello, president of the Nicaraguan-American Bankers Association, a situation the family still finds difficult to accept.

"Even though in terms of your overall net worth a house may mean nothing, 99 percent of those who had houses taken away want them back because they have such sentimental value," said Mr. Argüello, who now lives in Miami. "That's where you were born and played and saw your father kissing your mother. It represents family, values, tradition."

In addition, many of those already compensated with bonds are unhappy because the bonds are now worth only about 15 percent of face value. "The bonds are a joke right now," Mr. Cerna said. "The Government has broken its covenant and reneged on its guarantees."

But several officials here, like Luis Humberto Guzmán, the Speaker of Parliament, say there is little legal justification for United States involvement in the controversy. Though many claimants are now American citizens, international law regards them as Nicaraguans, officials contend, because that was their nationality when the properties were confiscated.

The State Department said the American Embassy here "offers assistance regardless of when or how a claimant acquired United States citizenship." But it acknowledged that "principles of international law limit the ability of the United States to 'espouse,' or formally assume as its own, the claims of persons who are not United States citizens at the time their property was confiscated."

A problem left by the Sandinistas vexes Managua.

sence of certification would force the United States to vote against loans to Nicaragua in the World Bank and the Inter-American Development Bank.

Nicaraguan Government figures show about 3,000 claims that have yet to be resolved, and the United States Embassy here calculates that about 1,100 of those involve American citizens. The confiscated properties include family homes and farms and ranches amounting to a quarter of the arable land in this country of 4.5 million people, and also factories, stores, machinery, mines and quarries and even shopping malls.

To satisfy all of the property claims, the Nicaraguan Government estimates that it must raise a total of \$650 million. That amount, more than double the size of Nicaragua's foreign reserves and equal to two years' worth of the country's exports, is expected to be raised through the privatization of state-owned enterprises like the national telephone and electricity utilities.

Legislation to privatize Telcel, the state telephone company, and use the proceeds to pay off property claimants is pending in the Nicaraguan Parliament. But Mr. Torricelli challenged the seriousness of that effort, saying: "We've been through this discussion before. There are more imaginative ways to resolve some of these cases."

Emilio Pereira, Nicaragua's Minister of the Economy, said one-third of the claims for compensation had been filed by associates, partners and supporters of the Somoza family



